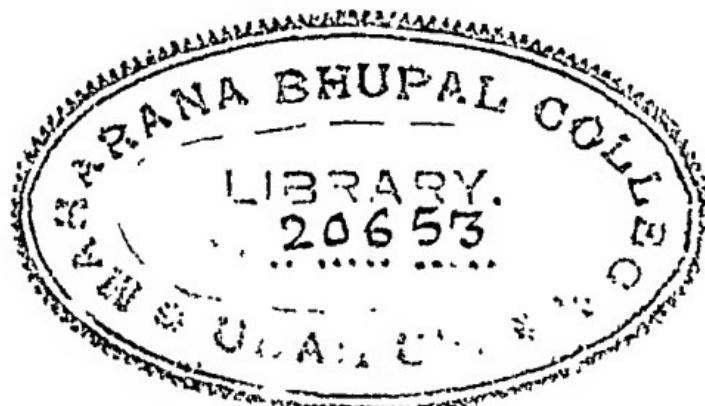


PROBLEMS OF ECONOMIC PLANNING IN INDIA

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First Published December, 1957.

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PREFACE

This is a book on the basic problems of planning. For instance, should there be planning in underdeveloped countries, and if so, why? If planning is to be undertaken, what would be the best way to do it? Is it enough to have a number of schemes only or is it necessary to change the whole philosophy or motivation-pattern of a society?

Now-a-days so many books appear that each book has to have an apology for it. Actually statistics will show that not very many books are published in India as compared with the literate population. More books are published, for instance, in Japan, if the literate population is compared, and in many other countries. Hence, there should be scope for publishing more non-fiction books. In any case, there are very few books on the basic problems of planning in India. The more people debate and discuss such basic problems the better undoubtedly would it be for all. For right thinking has to precede proper action. And right thinking can only come from discussions and debates, in which books play the most important part. Hence, I venture to submit that there need not be any apology for a book on the basic problems of planning.

For sometime it was my profession to think of the problems of planning. I was in the Planning Division of the Ministry of Finance and then in the Planning Commission. Also, when I was an official in the States Reorganisation Commission, I toured all over India and had an opportunity of discussing all types of countries and all parts of the country. Such privileges have been given to all civil servants. For this gratitude, today, even though I should put down my thoughts in writing in planned form, I found to be of use to people at this present time.

I would like to make it clear that as a civil servant my duty was always to carry out instructions. I took no part in the framing of policy. But I was in the periphery of the inner circle and could not help seeing how things are done. And at the periphery it is impossible to shut out thoughts.

There is nothing in the book, however, which is based on secret information. My being at the periphery made me think and perhaps gave a particular twist to my thoughts. But otherwise, this book could have been well written by an academician or a philosopher of planning.

This book is addressed to laymen, students, legislators and educationists, as well as to civil servants and administrators. It is hoped that all will find some food for thought in our efforts to make India a prosperous and respected nation in the comity of peoples.

Although I claim that this book is one on the basic philosophy of economic planning in countries like India, it is presented, not with pride, but with humility. When one thinks hard on difficult problems, such an attitude is easily bred. The view points are my own. But I have imbibed, consciously or unconsciously, ideas from many men and women. To them I express my sincerest gratitude.

Allahabad,
November 30, 1957

O. K. GHOSH.

PART I

BASIC POSTULATES

CHAPTER I

WHY PLANNING

It might be convenient to set the arguments of this chapter first and then to deal with the fabric of the reasoning. The argument is as follows:

- (a) there has been a historic failure in India, as in other economically backward countries, as regards the development of a capitalist system;
- (b) due to the absence of an indigenous capitalist system, there are few native entrepreneurs in the real sense of the term;
- (c) whatever development there has been in India, and in other economically backward countries, whether by entrepreneurs or by government, has been by way of imitation of the economic activities of capitalist countries;
- (d) the problem of economically backward countries is, therefore, mainly one of imitation, of "catching up", although innovation ~~is~~ ^{intricately} ruled out;
- (e) "catching up" can be done by planning, not by ~~the~~ methods:
- (f) as ~~eff~~ stand today, even in capitalist countries ^{new} are planned by "oligopolies", instead ^{of} of small entrepreneurs operating ^{with} assistance of the market mechanism;

- (g) indeed, the enormous growth of capitalism in West Europe and North America in the nineteenth century was due to special circumstances and conditions which are not likely to be repeated elsewhere;
- (h) it is better, therefore, for economically backward countries, to have plans of economic development made by government than by "oligopolies", the only other alternative;
- (i) the main question for economically backward countries, therefore, is not whether to plan or not to plan, but to think out what the economic goals would be, in how many years they can be achieved, and how much should be done by planning and how much left to circumstances.

Gunnar Myrdal, the famous Swedish economist, has worked out that although the capitalist nations constitute only 12—15 per cent of the non-Soviet world population, three-fourths of the total income of this non-Soviet world accrues to these nations.¹ Capitalism developed only in a few countries of the world, in U.K., France, Belgium, Holland and North America; and subsequently, in Germany, Italy, the Scandinavian countries, East Europe and Russia. In Russia and East Europe capitalism was very weak. Before we consider whether India is a suitable country for the development of capitalism in the manner in which it evolved in U.K. and America, we have to ask ourselves the question as to why capitalism evolved only in certain countries and not in others. Do the nations in which capitalism grew exhibit certain "special characteristics? No satisfactory answer to this question seems to have been given by any authority. The problem is really an / in history, and perhaps it would take a big book to / out why capitalism developed in certain countries / in others.

1. Gunnar Myrdal: International Economics
New York, 1956, p. 20.

A tentative attempt to give an answer is made in Chapter III of this book. But meanwhile, the historic failure of certain countries to develop capitalism has to be noted, as a fact. The figures from Gunnar Myrdal's book referred to above amply illustrate this.

It follows that if capitalism has not developed in a country, it does not have entrepreneurs in the true sense of the term. Professor W. Arthur Lewis has observed that the following three strands are essential in any capitalistic philosophy :

- (a) restraint in consumption;
- (b) willingness to produce as much as possible;
- (c) preference for productive investment.*

Have there been any real capitalists, exhibiting the above characteristics, in India? In U.K., America, France, etc. there have been capitalists whose watch words were Thrift and Productive Enterprise. In India, the Marwaris and others engaged in mercantile activities have been well known, in general, for their relative restraint in consumption. But did they go in for manufacturing activities on any scale? Most of the manufactures of India in the past were for the provision of luxuries for the rulers and nobles of their courts. There has always been quite a lot of export-import business. But trade is not manufacture. An entrepreneur like Jamshedji Tata came only about fifty years back, after nearly one hundred and fifty years of Western occupation. Even now entrepreneurs who are not interested in the export-import business can be counted on the fingers. This fact of lack of entrepreneurs in economically backward countries has been noted by penetrating foreign observers. For instance, the American, Eugene Staelin has noted that private enterprise fails to function effectively in most underdeveloped countries, not because it is suppressed or interfered with, but because it

2. Prof. W. Arthur Lewis: The Theory of Economic Growth (London: F. T. Unwin 1955) p. 223

does not as yet exist in the sense in which Americans understand it.³

Even when there have been entrepreneurs in economically backward countries, their main function has been one of imitation. Jamshedji Tata did not think out processes himself nor make use of inventions of native technicians. He had to import machinery as well as expertise, including experts, from abroad. Even business processes have had to be copied from foreign countries. We still have very little by way of a machine-building industry in this country.

The famous American statistician and economist, Simon Kuznets, has recognised that the problem for backward countries like India and China today (as of Russia of days gone by) is the obvious one of introducing elements of the Industrial Revolution, and of bringing these countries, which are potentially rich, to the level of the advanced countries of the world.⁴ This problem is quite different from those of advanced economic countries. In the latter countries the question is, what is the likelihood of a satisfactory emergence of new industries, of new areas of expansion, that would carry forward the national economy in all spheres? Such advanced countries have to pioneer, to innovate. It is likely that such pioneering and innovation is not possible within the straight-jacket of planning, especially in the matter of research. Things are quite different in backward countries like India and China, where the main problem is one of catching up. Soviet Russia was the first country to attempt to catch up, and this catching up started about 250 years ago, during the reign of Peter the Great. The Bolshevik attempt to catch up has been a furious and feverish one, and by all accounts, results have been achieved. So much so, that the neutral Swedish observer, Gunnar Myrdal, calls the Soviet type of planning

3. Eugene Staley : The Future of Underdeveloped Countries (Harper Bros., 1954), p. 239.
4. Simon Kuznets : Economic Change in High Income Countries (Hermann, 1954), p. 289.

of economic activities as fundamentally a system for the development of underdeveloped countries.⁵

Hence, if to catch up is the main aim, then definite goals have to be set for an underdeveloped society, and targets laid down for each sphere of endeavour. For instance, the slogan in India might be to catch up with say, Britain, in 25 years, as it has been the slogan in Soviet Russia to catch up with the United States in about a generation. If it becomes our slogan to catch up with Great Britain in 25 years, then we have to set out precise and detailed goals and do all that is possible to see that these goals are achieved. Obviously this can be done best if the work is planned, for Indian society as a whole, systematically. Adventure has to be, by its very nature, to some extent, unplanned. But even here, planning is extremely important. All those who have seen the film relating to the conquest of Mount Everest know what a great part planning played in that great adventure. How much more important then would planning be when a nation tries to catch up with another nation.

Even if it is agreed that the main task of backward countries is to catch up with the more advanced countries, it may be argued that this task of catching up should be left to private enterprise. If that is done, is there any surety that the market mechanism, through which private enterprise is supposed to operate, will have full play? Did perfect competition ever exist anywhere? And, if it did, does it exist now? The American investigators, Adolph Berle and Gardiner Means, found that in 1932 one-half of all corporate enterprise in America was in the hands of just two hundred companies.⁶ The British investigators, Leak and Maizels, found that in 1935 the British industries in which the three biggest companies employed more than

5. Gunnar Myrdal: *An International Economy* (Harper Bros. New York, 1958), p. 144.
6. Robert L. Heilbroner: *The Great Economists* (English edition, Hare & Spottiswoode, London, 1955), p. 242.

thirty per cent. of all the workers in the whole industry comprised more than one-third of all industries surveyed. Taking all firms and companies together, less than one-tenth of them produce as much as half of the net output of all, and only two per cent. produce over one-fourth of the total net output. In some industries, the degree of concentration was as high as ninety per cent. and the number of commodities involved were over a hundred.⁷ The American economist, John K. Galbraith, and other modern American economists call this sort of economy "oligopoly." Where is the scope for the interference of the "Invisible Hand" in an "oligopoly"? "Oligopoly" has, by its nature, to plan operations. If we have to plan, what advantage would be derived by introducing a system of "oligopolists" who would have to rely, almost wholly, on foreign "oligopolists"?

It might be argued that it will not be necessary to introduce any system of "oligopoly" into India. If all government control and regulation is removed, then India would develop as Western countries did in the 18th and 19th centuries. This conclusion is by no means axiomatic. Capitalism has developed only in a few countries, as the figures given earlier in this chapter from a book of Gunnar Myrdal's will testify, and as we know so well from observation. Economists have debated whether the phenomenal growth of capitalism in the 19th century has been due to fortuitous circumstances or not. The British economist, J. R. Hicks, as is well known, is of the view that the whole industrial revolution of the last two hundred years has been "a vast secular boom". The traditional Western view is that there have been four stages in the growth of economic progress, as follows.

- (i) feudal stagnation;
- (ii) stunted capitalism under mercantalist restriction;
- (iii) normal capitalist progress under free private enterprise, 1830—1913:

(iv) return to stunted capitalist progress under new restrictions.

The opposite, post-Keynesian view of the stage in question, are as follows:

- (i) feudal stagnation;
- (ii) normal progress under private enterprise;
- (iii) abnormal progress for private enterprise, 1830—1913;
- (iv) return to normal capitalist conditions.⁸

During the 1830—1913 period, America was opened up, making possible the supply of cheap foodgrains which enabled the countries of Western Europe, specially Britain, to concentrate more and more on manufactures. In this connection, it will have to be remembered that many countries obtained no release at all from the stage of feudal stagnation and that these countries are in the majority in the world. The countries of Western Europe not only had the proper motivation-pattern for the creation of a secular-economic-scientific-humanistic-civilisation, but they also had unique opportunities of being able to colonise a whole empty continent. Where these two factors are absent, capitalism cannot obviously develop in the manner it did in West Europe and America. To have economic growth on a large scale, it has been found necessary to change the motivation-pattern of a society so that its march is along secular-economic-scientific-humanistic lines. For instance, Japan and Russia. (The elements contradictory to a secular-economic-scientific-humanistic motivation-pattern exist in these countries, and distort progress.) If both the motivation-pattern of a society be different, and vast empty lands enabling the growth of cheap foodstuffs be absent, then by what miracle can one hope that the same results will be achieved as were manifested in England and in the U.S.A. in the 19th century?

8. Prof. W. Arthur Lewis and others: *Economics, Man and his Material Resources* (Odhams Press Ltd., London, 1950) — 217

It is well known that even in West Europe all nations did not believe wholeheartedly in the doctrines of Adam Smith. Adam Smith taught, as is common knowledge, that the State exists for defence, justice, education and roads and communications; outside this, the State should not interfere. The German, Friedrich List, did not believe in laissez faire to such an extent. He insisted that the State must plan economic development lest productive resources lie waste. Roscher, Hildebrand and Knies supported List and called for public planning. Even Walter Rathenau, in the advanced Germany of the nineteen twenties, was for target planning in industry, carried out by unions of firms, backed by the State.⁹ Planning in some form or other has, therefore, been found necessary for societies which have fallen behind, if they desire to catch up.

The main question, therefore, is not whether a society should plan or not, but how should it plan. In America and in England, the planning is done by "oligopolies", more in the former, than in the latter. "Oligopolies" grew in these countries in a "natural" manner. Where "oligopolies" do not exist it would seem to be folly to introduce them as they would not have the experience and "know how" of the "oligopolies" of countries where they have grown up in a "natural" manner. Social goals and priorities can be set better by the State, which will have to, simultaneously, engage itself in the more important task of changing the motivation-pattern of the society in question. The motivation-pattern of a society which is economically backward cannot be changed by "oligopolists", as they do not have the authority and the means of a State. In England and in America the question of changing the motivation-pattern of the people does not arise, as such change took place over 400 years ago. In backward countries like China and India this is, on the other hand, the very core of the problem. That being so, planning has perforce to be State planning in

9. Robert L. Heilbroner : The Great Economists—(English edition, Eyre & Spottiswoode, London, 1955), pp. 281-282.

backward countries. There has, however, to be limits to the extent of planning, as these backward countries do not have a sufficient number of technical and managerial men. In India, regionalism, caste and language problems complicate the issue still further. There are other limitations also. The task of planning, therefore, is to set realistic goals, in the light of the men and the materials available, or which can reasonably be expected from abroad, and not to attempt something which is quite beyond our capabilities. Our capabilities being relatively of a low order, only the important things can be handled by the State and the rest has to be left to circumstances.

CHAPTER II

PLANNING AND MARXISM

The famous French novelist and thinker, Madame Simone de Beauvoir, has been praised for seeing that in this age there is really one intellectual problem: what to do with Marxism. In the minds of many people, planning is perhaps connected with Marxism, as Soviet Russia, which adopted Marxism, also adopted planning. But planning and Marxism do not necessarily go hand-in-hand. In Soviet Russia itself there was no planning, in the sense that we now know it, between the years 1917—1929. Marx himself was the Prophet of the Doom of Capitalism. But he said very little about what would happen after capitalism was destroyed by a catastrophic breakdown. His apocalyptic vision provided for a transitional period during which there would be a "dictatorship of the proletariat". After that, the state would "wither away". Obviously, if the state withers away, the question of planning would not arise.

In spite of the fact that Karl Marx did not say anything as to the nature of the state once capitalism was destroyed, the belief in the popular mind between planning, Marxism and Soviet methods is so pervading that this subject might perhaps be examined a little. In this chapter the connection between planning and Marxism is dealt with. The

political aspects of economic planning, including the question whether there can be types of planning other than the Soviet one, forms the subject matter of Chapter IV.

Marx's doctrine can, for purpose of convenience, be categorised into three sets:

- (a) history;
- (b) sociology; and
- (c) economics

Marx's philosophy of history has been brought out very clearly in the "Communist Manifesto" of 1848. His philosophy of history is known as "dialectical materialism"; dialectical, because it incorporated Hegel's ideas of change; and materialism, because it grounded itself not in the world of ideas, but of material conditions. According to Hegel, every idea (thesis) bred its opposite (antithesis), and the two then lead to the emergence of a "synthesis", which, in its turn, produced its own contradiction. In Hegel's philosophy this play was restricted to the world of ideas. Marx applied this theory of dialectical change to history. The players were the different classes comprising society. The thesis-antithesis play became the class struggle in Marx's philosophy. The synthesis was the emergence of a new class. Thus, out of the contradiction of Primitive Communism emerged a Slave Society; from the Slave Society, Feudalism; from Feudalism, Capitalism. Marx lived in the days of Capitalism in West Europe. He saw in the division of capitalist society between capitalists and labourers, its contradiction, and he prophesied that this contradiction in capitalist society would lead ultimately to a society where the new class of labourers would dominate ("dictatorship of the proletariat"). Thereafter, the state would wither away. There would be "pure communism". All men would be brothers, and peace and goodwill will reign on the earth.

Marx's vision is essentially apocalyptic. Although Marx's family was converted to Christianity, the Judaic

vision of a conflict of Good and Evil, culminating finally in a catastrophe, and the triumph of Good, obviously colours Marx's vision. This point, however, is no valid criticism against Marx's philosophy of history, if it can be proved otherwise to be in consonance with facts.

But is Marxism in consonance with historical facts? The famous archaeologist, V. Gordon Childe, has surveyed the whole course of early history from a scientific and technical angle, and he finds very little by way of class struggle in early societies, including those of Egypt, Greece, Rome, etc., (cf. "Man makes himself" and "What happened in history"). Apart from the rebellion of Spartacus in Italy in the first century B.C., there has really been nothing in the whole of the ancient history of West Asia and the Mediterranean world which can rightly be termed as class struggle. Class struggles are similarly absent in the histories of China and India. This is not to say that there has not been much class bitterness, but such bitterness did not lead to clearly marked class struggles as Marx would have it. Indeed, Marx could not explain the histories of China, India, Mesopotamia, Egypt, etc., and dismissed them in a few pages as unchanging "Asiatic Societies". This failure to give a satisfactory interpretation of the course of the histories of Asiatic Societies must be deemed to be a great defect in Marx's philosophy of history. Similarly, Marxism slurs over the thousand year period of Mediaeval Christian Europe. It confines itself mainly to later Roman society and to West Europe from about the 14th—15th century A.D. Marxism does not explain, also, why capitalism developed only in certain countries of West Europe, and not elsewhere. Nor can Marxism explain how backward Tsarist Russia came to be the first country to adopt Marxism as an official creed. Marx thought that capitalism would be overthrown in the countries where it was highly developed and where its contradictions were most pronounced, viz., England, France, etc. In this, his vision has proved false. Marx could not also predict the rise of

Fascism in Italy, Germany, Spain, etc. And, finally, the State has not withered away even in Russia, which has adopted Marxism. On the other hand, the "dictatorship of the proletariat" seems to be very much more than a purely temporary affair.

A proper critique of the Marxist philosophy would really take at least four to five chapters. Sufficient has been pointed out, however, it is hoped, to warrant the conclusion that Marxism does not explain many things, and that, indeed, as a philosophy of history, it is neither as universal nor all-embracing as its supporters claim it to be. Perhaps it is the original assumption of Hegelian dialectics, which is nothing but pure mysticism, which has led Marx's philosophy of history into a quagmire. Nevertheless, it is clear that Marxism can be applied effectively to West European history after about the 13th—14th centuries A. D. It is, thus, the philosophy of history of a particular type of society, of a society dominated by a materialistic-intellectual outlook. In all societies where the motivation-pattern is predominantly materialistic-intellectual, Marx's concepts might also be profitably applied, notwithstanding the mysticism of the dialectic.

The sociology of Marx, however, is a more permanent contribution to human thought. Basically, the sociological ideas of Marx are as simple as they are profound. Marx and his followers emphasise, "in a brilliant and striking way", the relation of legal, political and constitutional facts to economic changes, and they attempt to present a unitary conception of history.¹ This close interlinking of economics, politics, social structure and cultural activities can be proved to be a fact in the study of any society at any period. We might take two examples from modern India. Why did the Bengal Renaissance of the nineteenth century fail? In a few words, it failed because it was not well grounded in economics. When the British, with their base at Calcutta,

1. E. R. A. Seligman : The Economic Interpretation of History (Columbia University Press, 1949 edition), p. 165.

the "surplus value". The capitalists meet this threat by introducing labour-saving machinery into their plants. Thus, an Industrial Reserve Army is created, and this brings down the wages again to the subsistence level. But as the capitalist substitutes machines for money, he substitutes non-profitable means of production for profitable ones. He can get "surplus value" out of men, but not out of machines. In a highly mechanised system the labour|capital ratio falls, and with it falls the rate of the "surplus value" or of profit. As profit shrinks, there is cut-throat competition, and profits are still further depressed. Machines replace still more men, leading to the loss of purchasing power, and dwindling of consumption. Bankruptcies ensue and many firms go under. There is a capitalist crisis. But, not for long. The labourers thrown out of work are forced to accept wages below the subsistence level. The stronger capitalists acquire machines for less than their true value in the Depression, and after a time "surplus value" reappears again. Slowly boom conditions reappear, and the cycle is then repeated. With each cycle, however, the contradictions and the miseries increase until ultimately the workers destroy the whole system by doing away completely with the capitalists..

Such is the model of Marx. Some of his prophecies have come true. In 1867 it was indeed a bold man who would have prophesied the emergence of business cycles and of giant business enterprises. Marx did so, and his prophecies have come true. One the other hand, there appears to be no long downward trend of profits, as he prophesied. "Subsistence wage" is really a vague concept depending on values and standards of life. For an American worker today a motor-car, a radio, a television set and a refrigerator are absolutely necessary, while even rich Indians consider them to be luxuries. The question of level of technology is also very important. The American level of technology is so high that it can afford a very high level of "subsistence wages" (which makes it possible for-

the workers to purchase cars, radios, refrigerators, etc.) and still make possible a very high level of "surplus value".

It is too early to pronounce a final judgment on Marxian economics. The United States, the centre of capitalism, suffered a severe shock in the depression of the nineteen thirties. It was rescued by World War, II during which the level of technology also rose, and purchasing power became very widely distributed. As a consequence, the American economy has been buoyant even after World War II. There have been, however, prophets who have been uneasy. Recently, according to a message appearing in the London "Times", and reproduced in the Calcutta "Statesman", ex-President Herbert Hoover, has detected signs which made his "hair curl" in 1929.² Ex-President Hoover has been uneasy at the high level of government spending. He feels, apparently, that this boom spending cannot last, and on its cessation a depression will ensue, which it will not be easy to check. Obviously, the years 1958 and 1959 would need careful watching. If capitalism suffers a set-back in the United States (and hence in the rest of the capitalist world) then this would vindicate Marxian economics. Otherwise, it may be taken that American society has discovered means to equate purchasing power and production at different levels of production.

Keynes gave some practical recipes for the achievement of such equivalence. Keynes was not a thorough-going planner. But his ideas do lead to the concept of control and regulation of the economy. Marx himself is very vague in the matter of planning. Nevertheless, one might assume that under the conditions which he visualised in his apocalyptic dream, there would be some machinery to equate purchasing power and production. In other words, it seems to be implicit from Marx's moral ideas that there should be some sort of planning in his classless society. However, as Marx said so little in the matter, it is not

2. Calcutta "Statesman"—Dak edition, February 26, 1957, p. 7.

necessary for planners to look to Marx at all for inspiration. In fact if they do so, they will find nothing in his works. Marxism and planning, therefore, are different things and there is no reason why they should be interconnected. Planning is the sheer mechanism of survival of societies which have been economically and scientifically disorganised, or lazy, or both, and are now at bay. Marxism, on the other hand, is the product of a society with a secular, economic, scientific, humanistic motivation-pattern, at a certain stage of development. It is not necessarily an essential ingredient in economic planning.

CHAPTER III

CHANGING MOTIVATION-PATTERN OF A SOCIETY

It would appear immodest in the eyes of those who are not scientifically inclined for anyone to attempt a new philosophy of history. For rational men, however, this is a duty to be carried out afresh in each generation. I, also, have thought over the subject of the conditions of cultural growth and decay, and I hope, in time, to write about this in all its fullness. The subject cannot be dealt with in a single chapter of a book like this. I make so bold, however, to submit here my tentative views in the form of a sketch.

The German psychologists, Max Wertheimer (1880—1943) and Wolfgang Köhler (b. 1887) have worked out the concept of "gestalt" or configurations, or patterns, of behaviour. This "gestalt" or configuration idea has been adopted by some anthropologists. For instance, the Americans Kroeber and Ruth Benedict. Ruth Benedict in her famous book "Patterns of Culture" has applied the configuration pattern to three primitive societies, the Zunis of New Mexico, the Dobus of Eastern New Guinea and the Kwakiutl of Vancouver Island. She has demonstrated convincingly that what really binds men together is their culture, the ideas and the standards they have in common. Man is

not committed, by his biological constitution, to any particular variety of behaviour. Culture is not a biologically transmitted complex. The cultural pattern of any civilisation makes use of certain segments of the "great arc of potential human purposes and motivations".¹ Ruth Benedict has pointed out that radical changes in psychological behaviour are possible, without change in biological conditions, and has cited the example of mediaeval Europe and modern Europe.² There are different kinds of men with different motivations in all societies. But in some societies some kinds of men find the motivation-pattern congenial, while others, who might have shone in other societies, do not find full scope for the use of their proclivities and talents. Thus, a devotional-religious type of man had much greater scope, perhaps, for social pre-eminence in mediaeval Europe than his spiritual descendant has in modern Europe. At one time in China the profession of a soldier was looked down upon. Hence, warlike men could not aspire to be leaders in that milieu.

My thesis is that, first of all, the various motivations which dominate in any cultural pattern are few in number. Also, any such motivation has its opposite, and the two together make an entity. That is to say, one is the obverse of the other and if one is in excess, its opposite is repressed. The more important pairs of motivations are perhaps the following :

1. Intellectual-Rational or Scientific.....Emotional.
2. Materialistic Mystic.
3. Aesthetic.....Mystic.
4. Individualist-Humanist...Collectivist.
5. Aggressive.....Easygoing.
6. Dynamic Conservative.
7. Democratic.....Aristocratic.

1. Ruth Benedict: Patterns of Culture (Mentor Books, New York), p. 219.
 2. Ruth Benedict: op. cit., p. 217.

The various motivations are shown above along with their opposites. If the cultural pattern is predominantly materialistic, all mysticism goes underground. Any excess, however, brings its own nemesis and the motivation driven underground comes, willy-nilly, to the surface. Thus, in a predominantly materialistic cultural pattern the mystic motivation which is suppressed comes at a certain stage, to the forefront, as it did in the history of the later Roman Empire. For the health of a cultural pattern a proper balance has to be kept. Thus, a cultural pattern which suffers from an excess of materialism has to have some mysticism or religiosity injected into it.

In each motivation-pattern, the various motivations play out their course from early awakening to the stage when all the possibilities of the particular motivation-pattern have been worked out and exhausted. The motivation-pattern of a society, however, is not the only factor to be taken into account. There are two other factors, the technological level of the society and its relations with other societies. All advanced societies have arrived at a certain level of technological development. But not all societies have continued indefinitely with technological improvements. Mediaeval Christian Europe was aggressive, collectivist, mystic, aesthetic and emotional. Western Europe has been, on the other hand, scientific, aesthetic, materialistic, individual-humanistic, aggressive, dynamic and aristocratic. The American is materialistic, scientific, individual-humanistic, dynamic and democratic. The modern Russian is materialistic, scientific, emotional, collectivistic and dynamic. The Indic-Hindu pattern appears to have been emotional, mystic, aesthetic, collectivistic, aristocratic, easy-going and conservative. The Indic-Hindu society, however, contained heterogeneous elements, including a strong strand of materialism. Sometimes both sides of a dual motivation-group have been exhibited strongly.

How does one classify the various societies according

to their motivation-patterns? It would be dangerous to rely on the subjective judgment of different persons, no matter how distinguished they may be. The Biblical saying "by their fruits shall ye know them" may be adopted as our motto. It will have to be seen what the main achievements of a society are. Once tables have been prepared of the main achievements, it is not a difficult task to classify a society. This is not the place to dilate on this subject. The point may be made, however, that not all societies can develop continuously on the technological field. It has to have a strong scientific-materialistic bias in its motivation-pattern for technology to develop. Thus, science and technology developed in the Greek and Hellenic worlds and in the West European, American and modern Russian worlds. The developments elsewhere have not been so spectacular. In these worlds, where science has developed specially, it has not been applied in the same manner to society as a whole. Why this has not been so is a problem of history, which is not of direct concern to us here. The only point which I am trying to make now is that the first requisite is that there should be a certain motivation-pattern if the technological level is to be both raised and technology applied in a widespread manner to the problems of society. Given this motivation-pattern, then the questions of political and social structures and of relations with other societies come in. On all these factors depend the growth of the society in question.

For a society, like modern Indian society, to change, it is necessary to change its motivation-pattern. Russia up to the time of Peter the Great was Byzantine in its outlook. There were several attempts to change the motivation-pattern of Old Russia and bring it into line with that of West Europe. The attempt of Peter the Great (1665—1725) was violent and, taken as a whole, successful. The harvest of his efforts was reaped by Catherine the Great (1730—1796), during whose reign French culture and manners pervaded the life of the Russian upper classes. The tour de

force of Peter the Great was repeated by Lenin and his associates with greater vigour, determination and ruthlessness. In India there have been conscious efforts to change the motivation-pattern right from the days of Raja Ram Mohan Roy (1772—1833). In recent times, however, the "synthesis" idea has been very prevalent. This idea does not seem to be in consonance with facts. It is not possible, it seems, to achieve anything by choosing different elements from different societies and trying to weave them into an eclectic whole. What has been done, and perhaps can be done, is to change the motivation-pattern of a society. Such a change is now being attempted through the various Five-Year Plans and the community development projects, and ideological changes and new philosophies in conformity with the needs of a new society will, no doubt, emerge in the future. The change of a particular motivation-pattern does not necessarily mean the abandonment of all old literature, art, etc. and still less of dress and food habits. It merely means a change in the outlook of the mind and, thus, of endeavour. If the change in the motivation-pattern is very conscious and in imitation of another society, then in the beginning the results may not be very impressive. Margaret Mead studied the cultural pattern of the Manus islanders in the Western Pacific twenty-five years ago and then again recently. She has embodied the results of her recent study in the book "New Lives for Old". The Manus islanders, because of their imitation, possess what may perhaps be popularly termed a "second class" culture. However, when the new motivation-pattern has been thoroughly imbibed, innovation by the Manus islanders themselves will no doubt take place. The British began to have mastery in India from the middle of the 18th century, but Raja Ram Mohan Roy appeared over a generation later.

The changing of the motivation-pattern of a society cannot be left to a few private entrepreneurs here and there. It has to be planned, and in this planning leaders

from all walks of life have to be taken into confidence. And without such change in the motivation-pattern of a society like ours lasting progress is not possible.

CHAPTER IV

POLITICAL ASPECTS OF ECONOMIC PLANNING

MARX postulated a close link between economics, politics and the social structure of a society. But this feature of his thinking is not peculiar to him. Comte also laid such an emphasis, and recently, a thinker of quite a different ilk, Professor Robert M. MacIver, of Columbia University, has made more less the same basic assumption in his book "Democracy and the Economic Challenge". The viewpoint expressed in this book seems to be shared by many American economists and it, therefore, deserves very serious thought. It is considered below.

In an agricultural society the basis of both power and economic strength is land. The landed class is, therefore, the class *par excellence*. The economic power of the land-owning classes is also the public power of the State and any cleavage cannot be visualised. Economic power here reinforces political power and confers social status.

This union of power and property was challenged when modern industry came into being. With increasing mechanization the warrior class became an anachronism, as weapons became more and more common. The new classes allied with industry began to challenge the power of the landlords, as in the United Kingdom. In its early days of

growth mechanized industry was what would today be called "decentralised". Each factory and each entrepreneur, wielding a certain amount of private economic power, had to be taken into account by the State, by the landlord classes which ran the administration. After some time labourers also organised themselves into unions and were thus a power to be reckoned with. More than anything else, it were the organisations of labourers which brought in the Welfare State. So, instead of the old unity of State power and economic strength, there came into existence an equilibrium of forces. Wherever there is unity of State power and economic strength, real democracy is not possible. The people in whom public power and economic strength are concentrated rule over others. They may or may not be benevolent autocrats. That is another question. But they are certainly not democrats. Mr. H. M. Patel, the noted Indian civil servant, has, in his review of Philip Woodruff's "The Guardians" pointed out that benevolent autocracy failed in India as it is not enough to give to people what the Government consider to be right and in their best interest, but what is given must depend on what the people themselves want.¹ One has to guard specially, therefore, against "Caesarism".

It may be asked, what relation has economic planning with all this? Planning is what may be termed "inside work". It is expert work and the business of planning is mainly administrative, and not legislative. The public, especially in a largely illiterate country like India, does not possess the necessary expertise which would enable it to pass judgment on the various complicated economic issues that arise before planners. If the executive comes to control the whole economic structure completely, it can withhold important information from the legislature and make itself supreme. It may, of course, especially in the beginning, consult the legislature and the people off and on. But the

1. The Indian Journal of Public Administration. October-December, 1955, p. 388.

temptation to take more and more on itself and consult the legislature and the public less and less would perhaps be too much for human nature to resist. And once there is a monolithic party or a monolithic executive structure, controlling the economy with utmost thoroughness, then Caesarism would appear off and on. There might be spells in between different Caesars when the "cult of personality" would be forsown. But it would only be realistic to come to the conclusion that if all political and economic power is concentrated in a single institution, then Caesars would appear. It would be particularly dangerous to have Caesars in India, because India is a multi-lingual State and still not perhaps as well integrated as the U.S.A. or the U.S.S.R. A Caesar might choose most of his associates from his own linguistic group and this might arouse jealousy in other groups, leading to struggles. The old ethos or motivation-pattern in India has been emotional and hero-worshipping, and science has been weak. If there is Caesarism, then in such an atmosphere, the scientific spirit of enquiry and of social democracy will not grow.

On the other hand, planning is necessary in India, as we have seen in Chapter I, to enable her to catch up with more-advanced nations. Planning cannot be eschewed for the simple reason that we do not have a developed entrepreneurial system. The American Mr. Chester Bowles, lately U.S. Ambassador to India, has recognised this, when he says that Indian industrialists have mainly concentrated on quick, speculative profits, rather than long-term expansion with small unit profits.²

A compromise, therefore, is necessary, a compromise which will generate an equilibrium of forces. The State should not have all economic power, but a part of the economy will have to be socialised and all the economy

2. Chester Bowles: The New Dimensions of Peace, English edition, The Bodley Head, London, 1956, p. 173.

would have to be subject to State control, as is the case in most democracies.³

In other words, there has to be a limit to planning, for political reasons. In underdeveloped countries like India such a limit is also necessary because of the sheer shortage of personnel. In the U.S.S.R. there are about 8,00,000 government economists.⁴ In India the problem of planning would be much more complicated and would require a far greater number of economists in government. It is to be doubted whether there are even 1,000 economists, working as economists, in all the governments in India. Thus, self-restraint in planning is necessary for reasons of acute personnel shortage, as well as on political grounds.

In what directions would restraint be possible? That is to say, in what spheres should economic power be wholly State power, in what fields should power be divided, and where can power be left wholly to the private sector? It would be clear that there can be many possibilities and that the pattern may change from time to time. Some reflection on the subject is attempted in Chapter VI. But before this is done it will be necessary to say something about perspective planning as only seeing things in broad perspective, and therefore as an integrated and evolving whole, makes clear and more definite present objectives and endows them with meaning and hope.

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3. Robert M. MacIver : Democracy and the Economic Challenge (Alfred Knopf, New York, 1952), p. 66.
 4. W. Arthur Lewis : The Principles of Economic Planning (Allen & Unwin, 1954), p. 19.

CHAPTER V

PERSPECTIVE AND SHORT-TERM PLANNING

PROFESSOR W. Arthur Lewis has calculated that to raise the national income by 3 per cent per annum cumulatively, an annual net investment between 9—12 per cent of the national income is necessary.¹ In underdeveloped countries the ratio of the rising national income might be higher. In India the national income at the end of the First Five-Year Plan has been estimated at Rs. 10,800 crores.² If 10 per cent of this is invested in the public sector this would come to Rs. 1,080 crores, or Rs. 5,400 crores in five years. As against this, the estimated expenditure for the public sector in the Second Five-Year Plan is Rs. 4,800 crores. It has been assumed that about Rs. 2,400 crores would be spent in the private sector.³ In the public sector, the investment as per cent of the national income would be 7.31 in 1955-56 rising to 10.68 in 1960-61.⁴ Taking the private sector into account, about 16—20 per cent of the national income would be invested per annum, leading to a rise of the national income of about 4 per cent per annum. In a five-year period, therefore, the per capita income would rise by about 20 per cent.

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1. H. Arthur Lewis : The Theory of Economic Growth (Allen & Unwin, 1955), p. 201.
 2. Second Five-Year Plan, p. 11.
 3. Ibid., p. 92.
 4. Ibid., p. 74.

At the end of the First Five-Year Plan, the per capita income was Rs. 281.⁵ After taking into account population increases, the per capita annual income at the end of various Five-Year Plans has been worked out as follows :

Second Plan (1956—61)Rs. 331|-

Third Plan (1961—66)Rs. 396|-

Fourth Plan (1966—71)Rs. 466|-

Fifth Plan (1971—76)Rs. 546|-⁶

According to United Nations sources, the per capita income to-day of Mexico, Turkey, Lebanon and Costa Rica is greater than what the per capita annual income of India would be in 1976. The per capita annual income of the U.S.A. is over Rs. 7,000 per annum, while that of the U.S.S.R. has been estimated at a little over Rs. 1,500 per annum.⁷

The problem of perspective or long-term planning is very complicated, and the above figures have been given only in order to illustrate how complex and debatable such a question as that of the computation of the national income can be. Again, the increase in national income and the rise of per capita income are not the same thing. The U.S.S.R. is tremendously powerful in a military and scientific sense. But it is admitted by most observers that her per capita income is far below that of the U.S.A. At the end of the 5th Five-Year Plan, the per capita annual income of India will not be higher than that of Turkey today. Even this might appear to some to be too ambitious. The problem of perspective planning, however, is not one of mathematics. Its first premise is to be as ambitious as possible and set some figures as the goal, for say, a 25-year period or a generation. It will then have to be seen whether the goal set is practicable, having in view the present starting point, viz. resources of all kinds, and the rate of growth that would be feasible.

5. Second Five-Year Plan, p. 11.

6. Ibid., p. 11.

7. Cf. Walter Krause : The International Economy (Houghton Mifflin Company, 1955), p. 273.

It may be necessary to bring down the goals to more realistic levels and set practical limits to the expansion of the economy. The next point would be to fix for the generation, for the 25-year period as a whole, as well as for each five-year period, how much of the resources would go to defence, and how much to capital construction, which for any country, and especially for a growing country, has always to take precedence over consumption. It may not be desirable, therefore, to aim too high regards raising the standards of living of a poor country. Defence, the essentials of life, machine building, education and health will have to come before refrigerators, air-conditioned coaches, comic magazines and the best automobiles. Such problems of setting practicable limits to the growth of the economy and of allocating shares to defence, capital construction and consumption has to be thought out constantly in the context of present research. The basic idea behind would be to ensure that the fruits of modern research are applied to the Indian economy so that its rate of growth can be accelerated. For instance, how can atomic research be geared to India's developing economy? Thinking in a coordinated way on all these problems is perspective planning, and perspective planning is necessary for short-term planning to be meaningful. If one wishes to climb Mount Everest, various short-term plans can be made to attain different stages in the journey, each stage being part of a bigger objective which gives meaning to all operations. On the other hand, if one just starts on the Terai foot-hills without any plan and forethought, the chances are rare that Mount Everest would be climbed. And, in India, the task of catching up with the advanced countries of the West is very much like climbing Mount Everest. Long-term, or perspective planning, therefore, is necessary for an underdeveloped country.

Now who does any perspective planning in India? India is a democratic country and each person is supposed to have a share in its administration. But this share is exercised by the common citizen only when voting. The mali or the peon

or the kisan or the clerk does not think of perspective planning. If he does, he does not have all the information necessary for him to arrive at the correct view. Does the man in the city street, or does the housewife, busy in her domestic problems, find time for perspective planning? Do administrators, engrossed in executive work, have time for perspective planning, when most of them are not able to read anything beyond newspapers? Can Ministers and legislators, besieged by fortune-hunters and place-seekers in an underdeveloped democratic country have much time for objective perspective planning? It may be argued that the Planning Commission is doing this work. This body is organised in several units, each of which may be called a department, with its own specialised work. So far as is known to the public, there is no coordinating entity which engages itself in perspective planning. Nor have any results of perspective planning been made available to the public. Professor P. C. Mahalanobis has recommended the undertaking of perspective planning. He says :

"The type of planning visualized above would be necessarily a continuing process and would have two broad aspects. One would be current planning directed to projects included in the annual plans within the frame-work of the five-year plan. The successive five-year plans themselves would have to be fitted into a larger frame-work of perspective planning with a wide time horizon of 10 or 20 or 30 years or even more. Perspective planning would be primarily concerned with the technical and scientific aspects of long-term growth of the economy. Studies and researches would be directed to solving practical problems and would be broadly of the type of "operational research" (although some problems of basic research would no doubt arise from time to time). This would call for the active cooperation of a large number of engineers, technologists, economists, statisticians, and workers in practically all fields of both natural and social sciences."⁸

8. Prof. P. C. Mahalanobis : Sankhya the Indian Journal of Statistics, Volume 16, Parts 1 & 2, December, 1955, p. 60.

The above observation of Professor Mahalanobis would seem to indicate that not much by way of perspective planning is being done just now.

To get proper men for perspective planning would be very difficult indeed. Such men would have to have field experience and yet not be of the impatient, constantly-running-about type. They would have to have great patience, especially with academic men and research workers holding views different from theirs. They would have to be all-rounders, as well as scientific-minded, and endowed with a capacity to develop adequate foreign contacts. A separate unit in the Planning Commission would, therefore, seem to be necessary. Only then would the sort of calculations made at the beginning of this chapter be firmer, and only then would one be able to frame basic postulates from time to time about the rate of growth of the economy, the sectors to which planning should extend and those which should be left to private economic power.

CHAPTER VI

BASIC POSTULATES OF INDIAN ECONOMIC PLANNING

THE main postulates would pertain to the spheres to be left to private economic power. This conception flows from the necessity of having an equilibrium of power forces, which alone is conducive to democracy. This aspect has been discussed in Chapter IV.

Hence, the question arises: what are the fields in which the State, in an underdeveloped country, should assume all the economic power? The fields will obviously have to be those where monopolistic power is either technically necessary or desirable for the best possible development. In such monopolistic fields it is better that the State should undertake development where there has either been no entrepreneurial growth or where such growth has been inadequate. This point is generally so widely accepted that it does not need elaboration.

The question as to the field in which monopolistic arrangements are necessary is, however, a more difficult one. It is really a matter of opinion. In the United States of America, for instance, the railways, the airlines, the broadcasting corporations, telephone and telegraphs are all private, something which is unthinkable in India for

even the most enthusiastic supporter of private capitalism. If the entire thing is a matter of opinion we might have recourse to someone who is not an Indian, but who is an authority on economic development. Professor W. Arthur Lewis is one such to whose opinions we may have recourse. He has listed the following as suitable for unitary control :

- (a) mining industries;
- (b) land nationalisation;
- (c) telephones;
- (d) electricity generation;
- (e) motor-car industry;
- (f) insurance;
- (g) marketing of agricultural produce;
- (h) railways;
- (i) steel;
- (j) banking;
- (k) chemicals.¹

Professor Lewis also seems to be in favour of State control of wholesale trade, and especially foreign trade.

How does this list compare with ours? As far back as April 1948, the Government of India published an Industrial Policy Resolution setting out those spheres in which new undertakings would be the monopoly of the State. Subsequent to this, the Indian Lok Sabha, on the 21st December, 1954, after a long debate, adopted a motion that the "objective of our economic policy should be a socialistic pattern of society and towards this end the tempo of economic activity in general and industrial development in particular should be stepped up to the maximum possible extent". Pursuant to this the Government of India published a New Industrial Policy Resolution, dated the 30th April, 1956. In paragraph 7 of this

1. Professor W. Arthur Lewis—The Principles of Economic Planning (Allen & Unwin—1954), pp. 101—102.

Resolution, they listed three categories of industries as follows:

- (a) those in which future development will be the exclusive responsibility of the State;
- (b) industries in which new undertakings would be only those of the State, but where existing private enterprise would be allowed to exist;
- (c) the remaining industries, which will be left to the private sector.

The first category of industries was listed in Schedule A to the Resolution and the second in Schedule B. These Schedules are as follows:

SCHEDULE A

1. Arms and ammunition and allied items of defence equipment.
2. Atomic energy.
3. Iron and steel.
4. Heavy castings and forging of iron and steel.
5. Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government.
6. Heavy electrical plant including large hydraulic and steam turbines.
7. Coal and lignite.
8. Mineral oils.
9. Mining of iron ore, managanese ore, chrome ore, gypsum, sulphur, gold and diamond.
10. Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.
11. Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.

12. Aircraft.
13. Air transport.
14. Railway transport.
15. Shipbuilding.
16. Telephones and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).
17. Generation and distribution of electricity.

SCHEDULE B

1. All other minerals except "minor minerals" as defined in Section 3 of the Minerals Concession Rules, 1949.
2. Aluminium and other non-ferrous metals not included in Schedule 'A'.
3. Machine tools.
4. Ferro-alloys and tool steels.
5. Basic and intermediate products required by chemical industries such as the manufacture of drugs, dyestuffs and plastics.
6. Antibiotics and other essential drugs.
7. Fertilizers.
8. Synthetic rubber.
9. Carbonisation of coal.
10. Chemical pulp.
11. Road transport.
12. Sea transport.²

How do these Schedules compare with the list of Professor Lewis? Steel, mining industries, railways, electric generation and telephones are common to both the lists. Land nationalisation, automobiles, insurance, marketing of agricultural produce, chemicals, banking and control

of wholesale trade are in the list of Professor Lewis but not in that of the Government of India. It is not very clear what Professor Lewis means by land nationalisation. Presumably, he means the same sort of thing as zamindari abolition in our country. If it is something more thorough-going, then this is an item where one may differ with Professor Lewis. The love of the peasant for his land is well known. Over 80 per cent. of Indians are peasants. It would be a task of stupendous magnitude to force Indian peasants into collectives. Enough personnel to do this are also not likely to be available. Besides, from the point of view of democracy, the peasants would constitute the largest source of private economic power. Hence, from the point of view of possession of economic power, land should be given to the peasants and zamindars abolished. The balance of arguments is, however, against complete land nationalisation in the sense of collectivization. The matter is discussed further in Chapter XIII.

The Government of India have also nationalised one section of insurance, life insurance. They are also conducting some State trading. Central banking has been a State undertaking in India for quite a long period, and the old Imperial Bank is also now a State enterprise. In the rest of the banking sphere there is control. It might be difficult to take up the marketing of agricultural produce unless warehouses are first built all over the country. But this is a sphere in which perhaps the State should progressively enter, thus lessening the political power of money-lenders and middlemen and having direct contacts with peasants. Chemicals also has so far been a field neglected by the State.

The list of Professor Lewis contains some items, therefore, which might be adopted in underdeveloped States where the main objective is not only economic development, but the prevention of the accretion of monopolistic economic power in private hands. On the other

hand, Professor Lewis has left out certain items like atomic energy, arms and ammunition, air transport, shipbuilding and the manufacture of heavy electric plant which have been included in Schedule A of the Government of India Industrial Policy Resolution of 30th April, 1956.

The question of having three Schedules instead of two, one pertaining to industries in which the State would reign supreme and the other to those which would be left to the private sector, might be one for debate. Logically, it might be better to have only two such Schedules so that there is no uncertainty in the mind of businessmen. However, in the circumstances existing in most under-developed countries it is difficult to see how a Schedule, such as Schedule B of the Government of India Industrial Policy Resolution of the 30th April, 1956, can be done away with. As it is, the Government of India Schedules leave a large sphere entirely to private enterprise. For instance, cotton textiles, jute, coal, sugar, the cycle industry, paper, leather, hides and skins, rayon and silk, woollen textiles, petroleum, rubber, glass and glassware, soap, tea, coffee, tobacco, vegetable oils and vegetable oil seeds, automobiles and cottage industries. There is no reason, therefore, why there should be complaints from the private sector that businessmen are not sure as to what will happen to industries in the next 25 years. By the nature of things no one can be sure what will happen in the next generation. This has rarely been possible in history. Who in 1900 could visualise the war of 1914—18 and its terrible aftermath? How many people, again, in 1921, could visualise the rise of Hitler and his wars of aggression? In spite of such uncertainties, did not the entrepreneurs of the West go ahead with industrial development? Under the circumstances, are we not to take the complaints of those businessmen, Indian and foreign, who say that things are uncertain in India as mere excuses for a policy of watching and waiting for other reasons?

One field not included in the list of Professor Lewis, which might be suitable for State control, is that of film production and film distribution. These are spheres where money is literally being minted. Production of both feature and documentary films by the State would help it to control the motivation-pattern" of the future generation, a matter discussed in Chapter III. It is well known that the film is the most influential medium of mass culture. Hence, if the State desires to change the "motivation-pattern" of the whole country, then logically it should nationalise film production as well as film distribution. One possible argument against this may be that with the heavy hand of bureaucracy in control, film standards will deteriorate. The standard of many Indian films is such that this argument can hardly be entertained seriously! It is necessary, however, to ensure that Government scales of pay do not apply to the film directors, singers, actors and actresses. In all countries such people have always been particularly favoured, as otherwise the quality of entertainment would become low.

The Government of India Schedules might, therefore, well form the basis for any underdeveloped country desiring to prepare a list of industries which might be reserved for development by the State. To these lists some further items may be added, as discussed above.

In some underdeveloped countries, the growing population problem complicates matters. Taken by and large, the population density per square mile in India is lower than that of many countries. Thus, the average for India is 312 persons per square mile. In Japan, the corresponding figure is 324, Belgium 750, Netherland 768, the United Kingdom 753, West Germany 501, Italy 359, etc. Nevertheless, a problem does exist in India in the matter of population growth, as her capital assets per head are so low and her wealth-producing techniques so primitive. It has been taken as an axiom that the State would find employment

for all. When this policy comes into conflict with that of mechanization, then what should be done? This is a conflict which can face many underdeveloped countries situated in the same position as India. To me the answer seems to be very clear. We should go in for the best methods of production, taking care at the same time to ensure that the machinery in question is produced within the country in the shortest possible time and that all economies in their use are introduced. For instance, if atomic energy can be utilised industrially for power purposes, then obviously industrially new countries should go in for atomic energy rather than older methods of power production. The fact that West Germany, whose industrial potential was destroyed in the last war has brand new machinery is one of the factors responsible for the "Wirtschaftswunder" (economic miracle) in that country. If there is any unemployment in a backward country as a consequence of adopting the most efficient methods of production, then unemployment insurance is the logical answer.

PART II

GENERAL PROBLEMS

CHAP

BACKGROUND TO]

TODAY the importance of economic planning in an underdeveloped country has been recognised by most authorities. It was, however, the Bolshevik party under Lenin in the U. S. S. R. which first realised the importance of continuous planning to mobilise the resources of a country. The classic debate and subsequent violent dispute between Lenin and Trotsky centred mainly round this question: Whether it is desirable and feasible to have "socialism" in one country or not. Planning had already begun with the State Electricity Organisation under Lenin, known as Goelro. Krzhizhanovsky, the chairman of Goelro, was the first technical enthusiast of planning. And, largely under his influence, Lenin coined the famous slogan that communism is equal to land nationalisation plus electricity. It is a mistake, however, to think that Stalin later on thought only of raising the standard of life of the Soviet masses. Stalin and his companions viewed the world through different ideological eyes. To them, the U.S.S.R. was encircled by potentially hostile countries. Hence, the first task was to build up defence and defence industries. The second was to build up the machine-producing industries, as it was, by hypothesis, undesirable to rely on imports of machinery from foreign countries.

The improvement in the standards of life of the masses came only third in the scheme of priorities. Luckily, the food-man ratio has always been higher in the U.S.S.R. than in India and the population density much less. Food supply, therefore, was not such a problem, although even in the U.S.S.R. this has threatened more than once to disrupt their plans. Despite all sorts of difficulties, the U.S.S.R. achieved her objectives and emerged from World War II as the second largest industrial country.

In 1933, President Roosevelt inaugurated the New Deal, the idea behind which was the formulation of an overall economic plan for a better mobilisation and redistribution of production facilities and a more broadbased distribution of purchasing power. This planning consciousness gradually pervaded the Indian arena also.

In the same year Sir M. Visvesvarayya formulated a ten-year plan with the target of doubling the income of the country. In October 1938, at a Conference of Ministers of Industries held under the chairmanship of Mr. Subash Chandra Bose, the President of the Indian National Congress, a resolution was passed which stated:

“..... the problems of poverty and unemployment, of National Defence and of economic regeneration in general cannot be solved without industrialisation. As a step towards such industrialisation, a comprehensive scheme of National Planning should be formulated.”

The Conference appointed a National Planning Committee with Pandit Jawaharlal Nehru as Chairman. The Chairman of the National Planning Committee in a memorandum emphasised that “national independence is an indispensable preliminary for taking all the steps that might be found necessary for carrying out the plan in all its various aspects. It is not even possible to draw up a plan on any other basis we are hedged in

and obstructed by numerous restrictions, limitations, safeguards and reservations which block our path to planning and progress."

The National Planning Committee appointed several sub-committees to study different aspects of the national economy and as many as twenty-five reports of these sub-committees were prepared. The twin targets were—

- (a) the attainment of national self-sufficiency for the country as a whole, and
- (b) the doubling of the standard of living in ten years.

Though the Second World War and other political developments intervened to interrupt the work of the National Planning Committee, this Committee succeeded in its primary purpose of making the people of India planning-conscious.

The Government of India could no longer pursue its passive policy and had to appoint a high level committee for planning in 1941, under the chairmanship of the Commerce Member. In 1943, this committee was replaced by the Reconstruction Committee of the Cabinet, with the Viceroy as chairman. The Reconstruction Committee prepared two reports on Reconstruction Planning and recognised that "the ultimate object of all planning must be to raise the standard of living of the people as a whole and to ensure employment for all."

In 1944, a separate department of Planning and Development was established with Sir Ardeshir Dalal as the Member-in-charge. Panels were constituted for the development of the basic and important consumer goods industries. The Post War Development Plans prepared both by the Provincial and Central Governments were coordinated by this Department to form a comprehensive plan.

In 1944, eight leading industrialists of India prepared "A plan for the Economic Development of India", popularly known as the Bombay Plan. The Planners admitted that

"the plan set out in it is not in any sense a complete scheme nor is its scope so comprehensive as that of the National Planning Committee to whose labours the conception of a planned economy for India is very largely due. Our object is merely to put forward, as a basis of discussion, a statement, in as concrete a form as possible, of the objectives to be kept in mind in economic planning in India, the general lines on which development should proceed and the demands which planning is likely to make on the country's resources."

This Plan envisaged an expenditure of Rs. 10,000 crores in fifteen years, 45 per cent. of which was to be spent on industry. The objective of the Plan was to bring about a doubling of the per capita income within a period of fifteen years, which meant a trebling of the national income, after taking into account the growth of population at the rate of five million a year. The Plan was designed to double the net output in agriculture and to increase fivefold industrial production.

In September 1946, Pandit Jawaharlal Nehru became the Vice-President of the Interim Cabinet. Soon after, an Advisory Planning Board was appointed under the chairmanship of Mr. K. C. Neogy to make a rapid survey of the work already done in the field of planning and to make recommendations for the coordination of planning, definition of objectives, and the establishment of priorities and the machinery for planning. The Board submitted its report in December 1946. The report emphasised that "planning by its very nature is dynamic, and a good deal will have to be learnt by actual experience. With, therefore, the risk of a certain lack of meticulousness, it is desirable to have a plan and initiate action on it, rather than spend more time on mere planning." The report also makes it clear that "It must be frankly recognised that we do not at present possess in India either sufficient knowledge and statistical information, or sufficiently extensive

control over economic activity to be either able to frame or execute plans whose combined and cumulative effect will be to increase per capita income by a predetermined amount." The Board recommended the setting up of a Planning Commission at the Centre, the establishment of a Central Statistical Office, a permanent Tariff Board and a Priorities Board.

The partition of the country in August 1947 and the attainment of independence gave a new emphasis to planning. On 6th April, 1948, the Government of India announced its Industrial Policy Resolution which later was intimately linked up with planning. The fundamental objective of the Policy was "to establish a social order where justice and equality of opportunity shall be secured to all the people." The immediate objective, however, was "to provide educational facilities and health services on a much wider scale and to promote a rapid rise in the standard of living of the people by exploiting the latent resources of the country, increasing production and offering opportunities to all for employment in the service of the community." The Policy recognised that under the prevailing circumstances a mere redistribution of existing wealth would only mean the redistribution of scarcity. It said:

"For some time to come the State could contribute more quickly to the increase of national wealth by expanding its present activities, and, by concentrating new units of production in other fields."

The Industrial Policy Resolution also sought to demarcate the areas of private and public enterprise.

The Constitution of the Republic of India became law in November 1949. The Constitution contained certain Directive Principles of State Policy which, though not enforceable through Courts of Law, may be regarded as "fundamental to the governance of the country". Article 38 lays down the principle that the State shall strive "to

promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life".

In January 1950, the Working Committee of the Congress Party, the largest political party, passed a comprehensive resolution on "Planned economy for the country and the appointment of a Planning Commission". The resolution said:

"The need for a comprehensive plan has become a matter of compelling urgency in India now owing to the ravages of the Second World War and the economic and political consequence of the partition of the country which followed in the wake of the achievement of freedom and the steady worsening of the economic situation in India and the world."

It is clear, therefore, that planning has captured the imagination of the Indian people. The Planning Commission is the outcome of the desires of the people going back to a period of over twenty years. Planning has, therefore, come to stay and is no longer a matter for debate. The problem is that of proper institutional arrangements for planning so that the needs and desires of the people are transformed into a master design of work for each planning period without the generation of unnecessary conflict between Central Ministries and State Governments, the executive agencies for the betterment of the conditions of the Indian people through State effort.

CHAPTER VIII

THE PLANNING COMMISSION AND ITS FUNCTIONS

The functions of the Indian Planning Commission as stated in the Government of India Resolution of March 1950 setting it up, are as follows:

"The Planning Commission will —

- (1) make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;
- (2) formulate a Plan for the most effective and balanced utilisation of the country's resources;
- (3) on a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;
- (4) indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;

- (5) determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;
- (6) appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and
- (7) make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it; or, on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or on an examination of such specific problems as may be referred to it for advice by Central or State Governments."

It will be noted that no executive functions were allotted to the Commission. The responsibility for implementation rested with the Central Ministries and the State Governments.

During its seven years of existence, the Planning Commission has brought out several documents embodying plans for the economic development of India, as well as Progress Reports on the schemes of development. For instance, it drew up a plan which was incorporated in the Colombo Plan for cooperative Economic Development of South and South East Asia, 1950. The First Five-Year Plan (1951-56) is a big volume where the economy of India in all its aspects is covered and each topic dealt with in quite an exhaustive manner. Auxiliary to the First Five Year Plan were documents scheduling the development schemes of the Central Government and of the States and an entire volume describing in detail schemes of industrial development. The Second Five-Year Plan, which is a

volume of about the same dimensions as the First Five-Year Plan, has now been prepared. These documents, including the Progress Reports, have been placed before the Parliament and discussed there. Besides these papers, which are in the nature of Blue books, many publicity pamphlets have been brought out with the assistance of the Planning Commission, with the aim of giving the people at large an idea of the different aspects of the Plan and to make them "Plan conscious."

Many of the schemes included in the First Five-Year Plan had already been drawn up earlier. During the Second World War and afterwards several schemes had been drawn up as part of the Post-War Reconstruction Plan. Many of these schemes were not proceeded with after the war for financial and other reasons. Quite a number of these found place in the First Five-Year Plan. The First Five-Year Plan itself was signed on December 7, 1952, although the Plan began from April 1951. Many of the schemes included in the Plan were, therefore, in execution, when the First Five-Year Plan was finalised. The role of the Planning Commission was partly to include these schemes in its Plan and partly to fix priorities among other schemes. For all schemes, whether in existence or not, financial allocations over the Five-Year period, including broad allocations of foreign exchange, were made by the Planning Commission, in consultation with other organizations concerned. In making these allocations, the Planning Commission holds a series of discussions with the representatives of the State Governments and Central Ministries as well as with influential members of the public concerned with economic development. Some broad targets are laid down for development in the private sector also, but obviously there is no Governmental sanction behind these targets. They indicate what is agreed upon between Government representatives, economists and industrialists as targets which are feasible of achievement.

and which are necessary for the balanced economic development of the country.

The institutional structure of the Planning Commission has also taken shape during the last seven years. Besides the Chairman, who is the Prime Minister, the Commission consists at present of a Deputy Chairman and four to five Members, the number never having been precisely laid down and having always been flexible. Some of the Members have been Cabinet Ministers, while the Deputy Chairman has not been so. The Commission is assisted by a few officers drawn from the Services, and several Research Officers grouped in a number of Divisions. For instance, the Economic and Finance Division, the Irrigation and Power Division, the Land Reforms Division, the Food and Agriculture Division, the Industry and Minerals Division, the Progress and Programme Administration Division and so on. The number and the groupings of subjects of these Divisions has also been flexible. The actual plans and estimates come from the different Central Ministries and State Governments. These are studied in the various Divisions and the results presented to the Commission. The officers drawn from the Services come between the Members of the Commission and these Research Divisions and vet the various studies from the point of view of overall harmony and practicability. The various schemes of the Centre as well as of the State Governments are co-ordinated in the Planning Commission. The Planning Commission is thus a coordinating and priority fixing body and its work has been done, as pointed above, in discussion with the representatives of the Central Ministries and State Governments. Before these discussions are made final they are discussed and approved of by the National Development Council, which consists of the Prime Minister and the Members of the Central Cabinet, the Members of the Planning Commission and the Chief Ministers of the States. The planning process has been, therefore, democratic and persuasion and arguments have been the only instruments

in arriving at agreements. Obviously, however, a certain amount of similarity of outlook and viewpoint has to animate those concerned if agreed decisions are to be arrived at.

The Planning Commission has thus done essential co-ordinating work. It has also served to focus attention on development schemes and to make the country "Plan conscious". There are, however, several fields where there have been lacunae. For instance, there has been perhaps inadequate coordination in the sector of private industrial production. Planning has consisted mainly in allocating finances, including foreign exchange, over the Plan period. There has perhaps been no successful attempt in correlating the technical personnel required on the one hand and their emergence and training in universities and technological institutes and importation from outside on the other. Physical planning is also rudimentary. There has been practically no regional planning where such planning is required; for instance, in river valleys running through several States. There has been no real quantitative assessment or stock-taking of the development plans, comparing achievement with money spent. Industrial location is a very important problem, especially in a country like India, where the normal difficulties are exacerbated by linguistic and regional jealousies. So far there has been no Industrial Location Plan. The States Reorganisation Commission has referred to the necessity of an Industrial Local Plan in Chapter III of Part IV of its Report. They have also stated that in the course of their investigations they were met with allegations of "unfair and unequal distribution of development expenditure" (para. 841) which were "not confined and cannot in the nature of things be confined in the multilingual States, but exists also in unilingual States" (*ibid*). An effective machinery to look into regional grievances, imaginary or real, thus seems to be necessary.

Nevertheless, in spite of these lacunae, a fair-minded observer cannot but be impressed with the good work done. The initial teething troubles have been overcome, and the stage set for the drama that will follow.

CHAPTER IX

THE CONSTITUTIONAL ASPECT

THE most important lacuna in our planning is that there is no Constitutional sanction behind it. There is an entry, No. 20, "Economic and Social Planning", in the Concurrent List in the Seventh Schedule to the Constitution of India, laying down the powers of the Union and the State Governments. This, however, is a very broad heading and the question might properly be posed whether the Central Government should not have more powers in the matter of planning. One way in which this might be possible would be by transferring the heading "Economic and Social Planning" to the Union List after making it a little more specific. The States Reorganisation Commission were aware of this problem when they stated:

"India's development plan may increasingly take the shape of a centrally-directed effort to locate and implement projects which are intended to give the highest return within the shortest periods, the benefits accruing to the country as a whole and not merely to any particular areas or regions in it. If the maximum advantage is to be derived from any such development plan or plans, the central planning authority must operate under minimum restrictions in its choice of methods and invest-

ments, and parochial tendencies within the Union should be discouraged.”¹

At present, the Centre has a certain hold over the States because of the financial lever. An appreciable portion of the development schemes of the States is financed from the Centre through loans and grants. Also, the unique position of our Prime Minister in the Indian political pattern has to be taken into account, as well as the fact that much of the unity in Central and the States policies has arisen out of the Congress Party being in power everywhere. The position may not be the same if a different party gains power in any State. The trends of the Second General Elections are such that it cannot be assumed that the Congress Party will return to power everywhere in future elections. There might be possibilities of conflict, therefore, if there be strong divergencies in viewpoints between the Centre and different States regarding the very nature of the economic development schemes to be pursued. And, will it be just to deny a State assistance from the Central merely because its political ideology is different from that of the Union Government? The way to eliminate difficulties would seem to be by vesting the Central Government with full responsibility in the matter of economic planning. This would also be of great assistance in maintaining the unity of India in the future.

(1) Report of the States Reorganisation Commission, 1955, para. 186.

CHAPTER X

THE STRUCTURAL ASPECT

THE relations between the Planning Commission and the different Central Ministries and State Governments have never apparently been defined with any precision. In the early days of an organisation there are advantages in keeping such relations flexible, but after some time it would seem to be better to specify the functions of the different authorities concerned, and at the same time leave sufficient room for flexibility in the growth of traditions and institutions. The first broad question in the relations institutions. The first broad question in the relations between any Planning Commission and a Government is whether the Planning Commission should have pre-eminence or not in the matter of framing policy. In the U. S. S. R., where economic planning on a large scale first came into existence, the State Planning Commission, according to Kursky, is "a permanent body under the Council of Ministers of the U. S. S. R." The functions of the Planning Commission there, according to this authority, are as follows:

- "(a) To draft and submit to the Council of Ministers of the U.S.S.R. for approval, national-economic long-range, annual, quarterly and monthly plans.

- (b) To submit to the Council of Ministers of the U.S.S.R., conclusions on the long-range, annual, quarterly and monthly plans submitted by the ministries and departments of the U.S.S.R. and of the Union Republics.
- (c) To verify the execution of the rational-economic plans of the U.S.S.R. that have been approved by the Council of Ministers of the U.S.S.R.
- (d) To work out, on instructions of the Council of Ministers of the U.S.S.R. or on its own initiative various problems of socialist economy.
- (e) To direct socialist accounting in the U.S.S.R."¹

Each country has to work out its administrative procedures in its own way. India need not necessarily follow the U. S. S. R. or any other country. Conditions in India are different from conditions in the U.S.S.R., or in the U.S.A. So far as administrative traditions go, India has greater spiritual affinity with the United Kingdom than any other country. However, leaves can be taken out from the books of others where it suits our purpose. To eliminate possible friction in the future, some definition in the composition of the Planning Commission would seem to be necessary. Some of the members of the Commission have been politicians, while others have been drawn from more specialised lines. If China and the U.S.S.R. are to serve as guides, it would seem preferable to have as members of the Commission men with more or less specialised experience but, as far as possible, those whose experience has been in more than one field. A broad outlook is, in any case, an obvious prerequisite if the Commission is to be more than a specialist body. There seems to be something to be said in favour of also having as members administrators of outstanding merit, regardless of the Service to

(1) A. Kursky—The Planning of the National Economy of the U.S.S.R., (Moscow, 1949), p. 162.

which they belong. It would help in the realistic assessment of the feasibility, financial and administrative, of various development schemes which enthusiasts might put forward. The main purpose of a Planning Commission in any country is to have an independent survey of problems and an independent formulation of plans by men who are not influenced by the rough and tumble and the day-to-day expedients which have apparently everywhere been necessary in the political guidance of a country's affairs.

If the above arguments are accepted, then there seems to be a case for the view that the members of the Planning Commission should not be Central Ministers. The Chairman, of course, should always be the Prime Minister in a multilingual country like India so that the Commission have sufficient authority both in the Centre as well as in the States. The Deputy Chairman, as an exception to the general rule, might perhaps be a Cabinet Minister and attend Cabinet meetings. He would perhaps have to shoulder most of the burden of the work of the Planning Commission, and hence, he should have a sufficiently high political status for the purpose. The division of functions between any Planning Commission, Central Ministries and State Governments also requires to be defined clearly. A common-sense and pragmatic approach to this problem would seem to be the best. Obviously, the formulation of a Five-Year Plan can only start with an assessment of what has already been done. To some extent this will have to be based on estimates, as a Five-Year Plan would be in progress while the next Five-Year Plan is being worked out. This evaluation report on achievements together with suggestions for the next Five-Year Plan might then be submitted by the Central Planning Commission to the Central Cabinet. The Cabinet would have to lay down, in a broad manner, the economic and political tasks for the forthcoming Five-Year Plan. At present the final plans are vetted and approved by the National Development

Council. The political and economic tasks of the forthcoming Five-Year period might be discussed in this National Development Council before being transmitted to the Planning Commission in the form of specific directives. The Planning Commission would then obtain detailed plans and estimates from the Central Ministries and State Governments, and by a process of discussion, arrive at final conclusion to fit in with the broad objectives laid down by the National Development Council. It is possible that these objectives might be somewhat modified during the processes of detailed discussions with the Central Ministries and State Governments. The Planning Commission's tasks would be to fix priorities between different schemes and to allocate, in a broad manner, for over the five-year period, finances, including foreign exchange and also, if required, raw materials and skilled man-power. After the Plan as a whole has been finally approved, it should be laid before Parliament for acceptance. There might be some advantages in Parliament taking steps to see that a Five-Year Plan passed by it has the force of law. This, however, is a matter on which much can be said on the other side as well. Once the Plan is accepted in this broad manner, budget provision should be made only in accordance with the Plan. The Planning Commission need lay down only the broad Five-Year ceilings. Detailed annual requirements would be worked out by the Central Ministries and State Governments in consultation with their financial advisers. The Planning Commission would subsequently be concerned only with Progress Reports, preferably Quarterly Progress Reports, from the Central Ministries and the States, to see whether the plans require modification. An annual review of the plans, to see that modifications would be necessary, would seem to be called for. This would make the Plan dynamic.

If this picture is accepted, then the Planning Commission would estimate resources, monetary, physical and skilled man-power, within the framework of the broad

objectives laid down by the National Development Council. It would also allocate five-year ceilings in consultation with the various authorities involved. After such final allocations have been determined, it would not be part of its functions to take part in operational work, i.e. in the specific, annual or periodical allotment of finances, commodities, etc. for various schemes; that should be left to the administrative Ministries working in consultation with their financial advisers. The quarterly review of the Plans of the Central and State Governments and the annual review should occupy the Planning Commission very fully every year until the work of formulating the next Five-Year Plan is begun.

As the Planning Commission is situated at New Delhi, there is no reason why there should not be sufficient liaison with the Central Ministries. Liaison with the State Governments, however, is a different matter. Close liaison with the State Governments over and above that which is possible by correspondence would be necessary for real harmony of relations between the Planning Commission and the various States. At present there are Programme Advisers in the Planning Commission, men of sufficiently high status to carry weight with officials in different States. The whole country has been divided into a few zones, each under the jurisdiction of an Adviser. The Adviser tours in his zone, discusses problems with Ministers and officials and keeps the Planning Commission informed. It will perhaps be advisable to have closer links than this. The question whether each State should not have a Planning Commission on the Central model is one which deserves serious consideration. If such Commissions are constituted, or even if they are not, there would seem to be a case for the appointment of a Resident Liaison Officer by the Planning Commission in the State capitals. This should be in addition to the system of Programme Advisers. These Resident Liaison Officers would be able to supply the

Planning Commission, through the Programme Advisers, with constant information, and keep the Central Planning Commission and the States in closer touch with the ideas and activities of one other.

Where necessary, some Regional Planning Bodies, as for instance in the river valleys, might also be constituted. As States are jealous of their rights, such bodies may have to be ad hoc bodies consisting of representatives of the States concerned along with representatives of the Centre and of the Planning Commission.

The various Plans would obviously have to be framed in detail against the background of long-term perspective planning. The question of perspective and short-term planning has been discussed in Chapter V, the conclusion of which was that a separate unit in the Planning Commission to do long-term planning would be well worth the while.

CHAPTER XI

HOW TO PLAN

BOTH of our Five-Year Plans are bulky documents running to well over 600 pages each. They have served the very useful purpose of making people "Plan conscious". The question may be raised, however, whether from the Third Five-Year Plan these documents might not be drawn up in another way. After all, all external forms change with time, with the development of the underlying spirit. The honeymoon spirit does not generally pervade the life of a married couple after some time, although it might appear again and again off and on. Practical domestic tasks begin to take precedence. Once the people have become "Plan conscious", as they now appear to be, perhaps the underlying spirit of planning might be expressed in a different way? Whenever some new consciousness dawns, a soul is first heavy with dreams and aspirations. The idea is strong and the form weak. After some time, however, form assumes a more and more important role until there is a balance between form and substance. It is necessary that there should be such a balance, as the dream-heavy soul cannot achieve its objectives unless its aspirations have been put in a form which is capable of being understood, criticised, and put into a practicable shape.

In the U.S.S.R., China and other countries where there is planning, one hears very much of what are known as "balances". These "balances" are really budgets. Different requirements and availabilities are then pitted against each other and thus the "balances" or budgets checked and cross-checked until the components of the pattern fit in with each other. For instance, the requirements of different projects as regards cement may be drawn up project by project and year by year. The availability of cement from different sources might then be scheduled in a different statement and against this the demand of cement for different projects and for private purposes listed. The deficiencies in supply will either have to be made good by extra production or by extra supplies from abroad or alternatively the demands will have to be curtailed. Either course would affect the requirement of other materials like steel, of foreign exchange, internal currency and so on. Thus, the checking and counter-checking processes would have to go on in many spheres until the different parts fit in with each other.

It appears that the following "balances" or budgets are absolutely necessary:

- (a) internal finance;
- (b) foreign exchange;
- (c) man-power;
- (d) raw materials;
- (e) each State undertaking under different categories like (a), (b), (c), etc. above.
- (f) foreign trade;
- (g) capital investment in each industrial sector, public, as well as private;
- (h) items (a) to (f) split up State-wise.

The preparation of the above budgets implies the drawing up first of many subsidiary statements, starting from the "grass roots", that is to say, the village and the factory.

A great variety of refinement is possible. The budgets may, thus, be exhibited for the five-year period as a whole, for each year, for each quarter and so on. If precision is to be given to plans, then obviously the drawing up of such budgets is necessary. If this is done, then in the future, plans might possibly be drawn up in three parts. Part I might consist of a broad narrative consideration of the philosophy for the Five-Year Plan in question, the main tasks and so on. Part II would be a workmanlike discussion of the main schemes and the detailed problems involved. There would have to be constant references in Part II to Part III. Part III would consist of the main budgets as described above showing details for the five-year period as a whole as well as year by year. If necessary, details might also be shown for each quarter, although this may not be possible to start with.

The question may be asked whether it would be worth while to prepare all these statements and publish all these details. It seems to me that if the public is to help in the formulation of plans and to watch its development, adequate details have to be published. Only then will it be possible to criticise weak points and to watch progress in a quantitative manner.

PART III

**FUNCTIONAL AND OTHER
PROBLEMS**

CHAPTER XII

PHYSICAL PLANNING

FOR investment in industries it is necessary to know what the physical resources are. If investment is planned beyond the limits of the available physical resources, the results will be as disastrous, if not more, than planning beyond the financial resources. It is possible to plan beyond orthodox financial resources, but it is impossible to produce steel in a country if the necessary iron ore is not available. It follows, therefore, that in an economy where there is planning, even in a partial manner, precise information about those sectors where there is State investment is absolutely necessary.

The second important question is whether it is necessary to control, either physically or financially, the various commodities which affect Government planning. That is to say, whether there should be rationing of goods and/or price control, and if so, to what extent. Any control for control's sake is obviously not desirable. As experience during the last World War and the years following showed, rationing and control lead to all kinds of abuses. There is black-marketing and corruption. Hence, if there has to be rationing and price control, it would be advisable to limit it to absolutely essential commodities. In the Second

Five-Year Plan, the arguments in favour of physical controls and allocations have been set out eloquently. In an underdeveloped economy there are many demands on the meagre resources available. Agricultural production may fall, in a country like India, below the targets set out, due to bad monsoons, drought, etc. Hence, for such reasons, physical controls cannot be ruled out.¹ The opponents of control in any form are countered by those who say that in an economy where there is even some element of planning, full physical control is necessary, as different parts of the economy are interlinked. If there is no control in one part it will surely affect the planned part also. For instance, the State might plan the building of many factories. Cement is absolutely essential in any building programme. If the physical allocation of cement is left to private enterprise, then Government may either not get enough cement or may have to pay more than what is necessary. This argument is based on the assumption that there is a shortage of cement. Those who hold the view that all-round physical controls are necessary, therefore, assume that there are shortages in all items of production.

If there are shortages, as there are likely to be in all underdeveloped countries, then should physical control in as large a measure as may be possible be introduced? Physical control brings in a certain amount of black-marketing and corruption. Matters may be otherwise in highly industrialised countries where the motivation-pattern, due to long conditioning, is different. In such advanced scientific communities it is easier to control production and distribution and the people also, accustomed to work in factories, are more disciplined. In underdeveloped countries leakages are much more difficult to check. It is not physically possible to control all food stocks, for instance, in a country like India. Where should the balance, therefore, be struck between physical planning on the one

1. Second Five-Year Plan, p. 39.

hand (to ensure successes in the planned sector), and the necessity of avoiding a lowering of public morale, which might be the consequence of ineffectual control measures. On the other? The motivation-pattern in underdeveloped communities is such that mere moral exhortations not to hoard but to cooperate with public authorities in the matter of rationing are likely to go, by and large, unheeded.

To strike a reasonable balance, the first proposition would seem to be that there should be physical controls only in the case of shortages in those commodities which enter in a large measure into planning. Where shortages are general, the remedy should be disinflation in some form or other, as the root cause is then very likely monetary. Where shortages are specific or confined to certain commodities it is better to have recourse to physical allocations than to price control. Price control without physical control leads, especially in underdeveloped countries, to black marketing.

Hence, the conclusion seems to be that there should be physical allocations and all-round control for those commodities in short supply which are extensively used in public investment. In India cement and steel, etc. would be such commodities. Full information would then be forthcoming with regard to such commodities. As regards other commodities, where there is no physical allocation, information can only be obtained by persuasion, and by the growth of the habit of cooperation between Government and producers.

For materials in short supply, Government, as well as private organisation, might send in their estimates to the Planning Commission. It may not be possible for the Planning Commission to go into all the details of different private firms, projects, etc. and for this purpose State Governments may be given lump allotments. For Central Ministries and bigger private firms allotments may have to be fixed by negotiations. Where there is no Government

control, Gentlemen's Agreements between the Planning Commission, Central Ministries, State Governments and larger private firms may be desirable for the more important commodities. This would help rationalisation both of production as well as of transport. Essential information about the use of raw materials in short supply would also then be forthcoming.

Although the Planning Commission need not look into the details of estimates of projects, obviously it is necessary that there should be such details. Otherwise, in a country of shortages, stocks may be lying idle at one time while at another time there might be a scramble for them.

The question of stocks is a very important one. The existence of stocks is necessary for the smooth functioning of an economy. Hence, the question of there always being stocks so that production, both in the public as well as in the private sector does not suffer, should be an integral part of planning.

Physical planning does not consist merely of allotting scarce raw materials. There is no point in such allocation without laying down targets for production. Such targets need be laid down not only for Government undertakings, but also for at least the bigger private firms, so that it can be seen that the materials in short supply are used for the purposes for which they are intended. This assumes that there should be some machinery for the inspection of the production of bigger private firms, and the existence of suitable legislative sanction in this regard.

It is not at all clear from the First and Second Five-Year Plans whether there is any unit in the Planning Commission which does the kind of over-all physical planning considered in this chapter. If there is none, and if the arguments in this chapter are accepted, then there is a case for having such a unit in the Planning Commission. Perhaps, if there is such a unit, this would be the starting

point of greater rationalisation and increased production. It will, of course, have to be ensured that detailed allocations are made by the Administrative Ministries in the Central Government and by the State Governments.

CHAPTER XIII

AGRICULTURE

FOR an underdeveloped economy it is of primary importance that the total output of food be first raised. As Mrs. Joan Robinson has said, the process of accumulation cannot be started on any appreciable scale without land saving investments that raise the total output of food.¹ In a country like India, the population is growing at the rate of a little over one per cent. per annum. The increase in production has to be such that it is much greater than the population increase. For some time past this has perhaps not been the case in the agricultural sector in India. The Five-Year Plans seek to halt this trend. According to the Second Five-Year Plan, in 1960-61, after all the tremendous efforts visualised in it, the per capita consumption of foodgrains in the country would increase from 17.2 oz. to 18.3 oz.² The main question, therefore, is how to increase the production of foodgrains, chiefly cereals. Side by side, attempts might be made to develop in the people habits for other kinds of food. For instance, there is great scope all over India for the eating of fish. But it would not be practicable to hope for a great switchover to other kinds of food

1. Mrs. Joan Robinson—*The Accumulation of Capital* (London, Macmillan & Co. Ltd., 1956—Students' Edition), p. 347.

2. Second Five-Year Plan, p. 61.

within a generation. It takes at least a generation for the motivation-pattern as regards the diet of a people to change. Habits can be formed mainly in childhood. In India food tabus have the backing of age-old traditions, which can only be changed by educating the new generation so as to give them a totally different motivation-pattern. This is easier said than done, as the requisite number of teachers would be small. Hence the importance of increasing cereal production in India.

The question of increase in agricultural production resolves itself into the basic one of collectivisation or not. This has two aspects, political and technical.

Politically, it is necessary to have certain sectors in the economy where private economic power should exist. If all economic power is centralised in the State, ultimate despotism is inevitable. This has been already discussed in Chapter IV. Agriculture is a sector which might well be left, as far as possible, to the private sector, as it is dangerous meddling too much with peasants. Even in a country like Russia where vast empty spaces are still available, too much of such interference in the First Five-Year Plan led to such a severe set-back in agricultural production that Stalin had to come out with his remonstrating "dizzy with success" article. Decentralised agricultural production does not, of course, mean that things should be left to big landlords. That would be monopolistic production. And it has already been accepted widely in India, that on political grounds, if not for other reasons, landlordism should go. Land should, therefore, belong to the tiller, who should not be forced into State farms. It is interesting to note that in a country similarly situated, like China, the force of the peasantry has been considered as the force of China's revolution.³

So far as the technical aspect goes, a brief but very informative article by the distinguished Czech economist,

3. Mao Tse-tung—China's New Democracy (People's Publishing House, Ltd., Bombay, 1950), p. 27.

Pavel Eisler, appeared recently in the "New Statesman and Nation". Mr. Eisler has pointed out that agriculture can readily be socialised only in countries where industry has already been well developed. Collectivisation, or socialised agriculture, assumes mechanisation, a high level of farming technique, the availability of proper fertilisers, improved varieties of seeds, etc. In underdeveloped countries these favourable factors are not present. The problem, in essence, is to accumulate capital where labour productivity is low. This can be done only by methods which yield short-term results. Socialisation of agriculture is possible only when the rate of saving is adequate for improvements on a large scale to be carried out without difficulty. The problem may be illustrated by an analogy. A poor peasant farmer has first to improve his yield by having recourse to better water supply, manures, better seeds, better marketing and so on. If, by such methods he has made enough profits, he can, if he has enough land and if mechanisation is otherwise possible, have recourse to tractors, harvestors and so on. It will be suicidal for a poor peasant with little knowledge of machines to invest all his savings on tractors. He will very likely fail. There may not be enough water available, the soil may be exhausted, the seeds may be poor. Hence, mechanisation and the socialisation of agriculture are problems which lie beyond our times, so far as India is concerned. The immediate problem is to increase production by the more traditional methods such as the following:

- (a) more water;
- (b) manures and fertilisers;
- (c) improved seeds;
- (d) control of pests, etc.

In some places it might be worthwhile to have land held individually along with socialised production. For instance, in the Gezira cotton plantation in the Sudan, land strips belonging to cultivators, but planting, process-

ing etc. is controlled. The Gezira cotton plantation method may perhaps succeed better where cash crops are grown rather than where peasants cultivate cereals not only for sales in the market but also for their own consumption. It might be instructive to note what our great neighbour situated in similar circumstances, China, is doing. The findings of the Krishnappa-Thapar delegation, which visited China in the latter half of 1956, have been widely publicised. In China, as a consequence of measures introduced by the Communists, the yield of paddy has increased from 1,665 lb. per acre in 1949 to 2,355 lb. per acre in 1955. For wheat, the corresponding figures are 565 lb. per acre in 1949 as against 755 lb. per acre in 1955.⁵ The comparable figures for India are 1,032 lb. per acre in 1949-50 and 1,100 lb. per acre in 1954-55 as regards paddy and 584 lb. per acre in 1949-50 and 713 lb. per acre in 1954-55 in the case of wheat. It will be seen that India has not done badly so far as wheat goes, but in the case of paddy, our yield per acre is less than half that of China. Mr. P. N. Thapar, who is Secretary to the Central Ministry of Agriculture, has stated that the Chinese peasant is definitely superior to his Indian counterpart in the matter of technique.⁶ In spite of this, there is at present three times the number of technically qualified extension staff in China than the number of village level workers aimed at in India for the year 1960-61. The extension centres in China are known as "technique popularisation centres". Four to seven specialists cater to 1,000 to 2,000 families. Technique popularisation centres are also well equipped with instruments in every-day use and they hold refresher courses for peasants and office-holders of co-operatives. Mr. Thapar's conclusion is that the Chinese are putting in a wholetime effort which is much more intense than can be put by our multi-purpose village level workers.⁷

5. Reserve Bank of India Bulletin, November, 1956, p. 1154.

6. Ibid., p. 1155.

7. Ibid., p. 1156.

The question of agricultural extension is, therefore, of basic importance in India. For without such agricultural extension it will not be really possible to increase production to any remarkable extent in the villages. Extension work is one of the most important items in China's agricultural development programme. Other activities are similar to those of ours, viz. the construction of major and minor irrigation works, provision of fertilizers, implements, etc. In addition, there is a very important cooperative movement, organised for supply and marketing, credit, and farming.⁸ If, on the Chinese model, there are seven farm specialists in India to train about 10,000 people, the ratio would be one to about 1,500 people. For a population of about 400 million this would mean over 2½ lakh experts. If 2½ lakh experts are paid, on the average, Rs. 150 a month, the total cost would come to Rs. 45 crores a year. This is not too large a sum, especially if this is financed by special local cesses. There would of course be substantial overheads, but the cost should not be prohibitive. The question of training these 2½ lakh experts, as well as that of capital construction for the various centres which might be opened in India to serve as "technique popularisation centres" is more important. By the end of the Second Five-Year Plan, the total number of National Extension Blocks in the country would be 3,800.⁹ If there are to be 2½ lakh experts, there should really be about 40,000 "technique popularisation centres" centred round the National Extension Blocks and elsewhere. Each centre should be well equipped and should have all those amenities of life which those who have had a period of training in scientific institutions normally expect today. If Rs. 1 lakh, in a round measure, is spent in each of these centres, then for 40,000 centres, the total expenditure would be Rs. 400 crores. This can be raised by a one-for-all special local cess. In advanced countries the ideal seems to be to

8. Ibid., p. 1155.

9. Second Five-Year Plan, p. 58.

give extension specialists training at farm jobs for about a year and then theoretical training for about a year or two.¹¹ As against this we have village level workers who are multi-purpose and whose training is rough and ready. One village level worker caters approximately to 1,300 families.¹² The tahsildar, mamlatdar or circle officer, etc. have been left in supervisory charge of the field level worker. Mr. U. L. Goswami, who was the Secretary of the Community Projects, Administration, for several years, doubts the wisdom of combining regulatory and extension functions below the S. D. O. level.¹³ He says that without clear and separately assigned responsibilities regarding development it will always be easy to find excuses for not doing things fast enough.¹⁴

The extension problem in India does not seem to be insuperable. If China is succeeding fast, there is no reason why India should not be able to do so.

In this chapter only certain very broad and basic aspects of agricultural development have been considered. There are obviously many other matters like animal husbandry, forests, soil conservation, irrigation, etc. which can be considered at great length. But as this is a book on basic issues it is not possible to deal with each sector of production exhaustively and in detail. The cooperative movement in China, however, needs to be mentioned. Mr. Thapar, in the article already cited, seems to be enthusiastic about the Chinese cooperative movement. Some other members of the Krishnappa-Thapar Delegation have cast doubts about the democratic nature of the Chinese movement. But obviously, this is a movement which would seem to well deserve a detailed study, if facilities are made available, by scientifically-minded Indian observers.

11. Professor W. Arthur Lewis: The Theory of Economic Growth (Allen & Unwin, 1955), p. 189.
12. Article by Mr. U. L. Goswami in the Indian Journal of Public Administration, April-June 1955, p. 116.
13. Ibid., pp. 115-116.
14. Ibid., p. 116.

India, as is well known, is not uniformly populated. In some parts of the country the density per sq. mile is very high. The average population density for India, according to the 1951 Census is 312 persons per sq. mile. In Assam the density of population is 176 per sq. mile. In West Bengal, the figure is 806, Bihar 572, Bombay 343, Madhya Pradesh 163, Orissa 244, the Punjab 338, Uttar Pradesh 557, to give a few figures (all figures pertain to the States as before reorganisation). Some areas of Assam, and Madhya Pradesh, and in the foothills of the Himalayas, still await colonisation. The clearance of forests is a big problem. Another, especially in Assam and in the Terai, is that of the existence of various diseases like malaria, kalazar. Obviously, these are areas where State enterprise can be of basic importance. Few peasants in India have the resources to undertake the colonisation of virgin lands. Even if resources were given, few would thrive. There would be other problems. India is a multi-lingual country and language differences are important, allied as they are with differences in habit and diet, and with the unwritten taboo on marriages between different linguistic groups. Such areas can, therefore, only be developed by State farms. And, if this avenue is explored, then it may perhaps not be necessary, within a reasonable period of time, to entertain fears about Indian food supplies. The balance between production and consumption, at present rates, might perhaps be produced in State farms in the virgin lands of India.

CHAPTER XIV

FACTORY PRODUCTION AND COTTAGE INDUSTRIES

THE basic questions in the matter of factory production and cottage industries seem to be as follows :

- (a) the line of demarcation between factory production and cottage industries;
- (b) the question of techniques;
- (c) the relative importance of different branches of factory production;
- (d) administrative questions in the matters of State industrial undertakings and State assistance to cottage industries.

The first and the second questions more or less merge. The degree of "mechanisation" is a relative term. What was "mechanised" in the United Kingdom 200 years ago would be regarded as primitive today. Cottage industry units and large factories often produce the same article. For instance, textiles of different kinds. In such cases, the degree of mechanisation of the industry in particular would determine the dividing line between what is cottage industry and what is factory industry. In some fields, for instance the production of steel, the difficulty does not arise. Where the question arises, perhaps a rough and ready principle would be to assist the development of cottage industries

where it serves specific local demands. Such local demands might either cater to luxury, or they may have a wider appeal. Thus, in Bihar, in the Madhubani Sub-Division of the district of Darbhanga, a special kind of coloured cotton called "Kokati" is grown, out of which is manufactured "Kokati" cloth, costlier than ordinary cotton cloth, and patronised by fashionable people.¹ This is obviously a luxury item. On the other hand, there is a place in the district of Champaran in Bihar by the name of Mehsi, where mother-of-pearl buttons are manufactured. There are about 40 small button manufacturing units in this village. The first unit started in 1908. The basic raw material is the mother-of-pearl shell which is available in plenty in the rivers of North Bihar, particularly in the Champaran and Muzaffarpur districts.² Here the demand is obviously more widespread, but it is unlikely that these mother-of-pearl buttons can ever compete in every place in India. The policy in respect of such mother-of-pearl buttons might, therefore, be to ensure, in the widest sense of the term, a good market in Bihar and especially in North Bihar, and nothing more.

In cottage industries, as well as in other industries, the question of technique is very important. Efficient methods of production are synonymous with greater mechanisation. The labour released on account of the use of more efficient technical methods can be re-employed in other works like the construction of tanks, as well as irrigation projects, factories, road making, etc. A higher rate of capital formation necessitates a reduction in the volume of employment in the consumption goods side.³ And, cottage industries, by and large, come within the consumption goods manufacturing sector. Hence, the question is, to put it

1. Cottage Industries in Bihar : Public Relations Department, Bihar, p. 2.
2. Ibid., p. 17.
3. Professor C. N. Vakil and P. R. Brahmanand : Planning for an Expanding Economy (Vora & Co., Bombay, 1956), p. 164.

simply, whether to have a bullock cart or a lorry. It is clearly better to go in for a lorry where there is the possibility of obtaining it and to provide for the bullock cart driver in some other way. This appears to be a very elementary proposition. But it has very wide repercussions, if it is logically applied. For instance, if the principle is applied to textiles, then there would not be much of a case for subsidising khadi. It seems, purely from the point of view of economics, that the best course would be to limit cottage industries to local areas. Thus, employment would be found, while at the same time administrative problems of assistance will not be unmanageable.

As regards the different roles of various industries in factory production, obviously it would be better first to go ahead with basic investment. And then only equip the consumer goods industries. In other words, a general rise in consumption will be possible only after a period of years, when the necessary basic investment has been made. This period might vary from country to country, depending on the level of development when large-scale public investments begin. If the U.S.S.R. is to be taken as a guide, a 25-year waiting period might be found to be necessary. In other words, a generation will have to toil before one can have recourse to the slogan of raising the standard of life of the people at large. Mrs. Joan Robinson says that the period of lean years, while investment goes on at the maximum possible rate and consumption per head remains constant, can only be shortened by an increase in the amount of labour devoted to investment.⁴

In underdeveloped countries there is, generally, a high motivation to import, and export goods industries are not well developed, leading to foreign exchange difficulties. In India we are well aware of such difficulties. Hence, it is necessary to develop export industries.

4. Mrs. Joan Robinson : The Accumulation of Capital (London, 1956—Students' Edition), p. 346

Defence, of course, comes before everything else. It is not possible for India to think of arming to the level of U.S.A. and the U.S.S.R. but she should be strong enough, economically, to produce enough armaments to defend herself against any possible combination of all her neighbours.

If the above propositions are accepted, then the priorities in the factory production sector would be as follows:

- (a) defence industries;
- (b) export industries;
- (c) capital investment for civilian purposes;
- (d) consumer goods industries.

It would automatically follow that the question of raising the standard of living would have to be kept in abeyance for about a generation. But it is equally important that the standards to which people of different classes are accustomed should not deteriorate, as it would create a lot of discontent. Where such discontent is immaterial, the requisite standard of living need not be maintained. For instance, the Indian Princes lived a proverbially wasteful and extravagant life. So did many zamindars. There can be no objection whatsoever to reducing their standards of life. But if the standards of living of middle class people, who are large enough to constitute a political force, happen to be reduced, this would lead to trouble sooner or later. An Indian peasant will not complain if he does not have a refrigerator for another 25 years. Where want is not felt, it need not be created. There may not be any difficulty, therefore, in keeping the standard of living more or less constant and concentrating first on defence industries, export industries, and basic development in the civilian field. Meanwhile, a few cottage industries in each State might be selected and assisted in all possible ways, so that unemployment is mitigated.

The administrative question resolve itself into two; first, large-scale industrial management; and second, assistance to small-scale industries. So far as large-scale State undertakings go, the details of the new Industrial Management Pool have recently been made public.⁵ Under this scheme people from industry as well as from Government services will be recruited to the Industrial Management Pool. There would be no fixed seniority and merit would be recognised. The pay scales are not low. If good officers are recruited to this Pool and it is properly managed, there is every reason to hope that results will be achieved.

So far as small-scale industries go, the problem has been very well set out in a speech of Mr. S. Ranganathan, Secretary, Union Ministry of Commerce and Consumers Industries, while addressing a meeting of the Small-Scale Industries Board at Delhi.⁶ Mr. Ranganathan said that industrial extension service is a major item in the programme of the Union Government for assisting small industries. Regional institutes to assist small-scale industries have been set up at Delhi, Bombay, Calcutta and Madras. Other institutes have been started at Hyderabad, Trivendrum, Rajkot, Patna and Ludhiana. Branch institutes have been set up at Bangalore, Hubli, Indore, Cuttack, Gauhati, Agra, and Allahabad. Mr. Ranganathan, however, stated that the Constitutional responsibility for the development of small-scale industries devolves mainly on the States. The Union Government can only supplement State efforts. He also admitted that progress so far has been slow.

The problem, indeed, is a vast one. A perusal of the cottage industries development programme of any State would seem to indicate that the State, in common parlance, "has too many fingers in the pie". Turning over

5. "Hindustan Times", January 24, 1957.

6. "Hindustan Times", January 14, 1957.

the pages of a pamphlet relating to cottage industries in a certain State, I find the following mentioned :

Cotton textiles; silk; woollen goods; stone carving; brass and bell-metal wares; pottery; basket-making and mat-making; smithy and wood-work; oilseeds crushing; leather work; rope and string making; toys; biris; medical herbs; umbrellas; tanning.

On enquiry, I found that the Industries Directorate in the State in question employs about 100 persons at headquarters and not much full-time staff in the field. As against this, the number of people employed in the Accountant General's Office of the State concerned was over 1,000. It is obviously impossible for any single organisation to deal with all the cottage industries mentioned above in a satisfactory manner. Secondly, it is impossible to do so with practically a skeleton staff. This pattern is more or less repeated in all States. Under the circumstances, is it surprising that Mr. Ranganathan should find little progress although he was referring to the Central Government end of the matter ?

For success in the sphere of cottage industries, as for success in any field, the first prerequisite would seem to be to realise one's capabilities and to limit one's ambitions accordingly. Thus, only a few cottage industries might be selected in each State for assistance. Thereafter, an adequate trained staff should be built up. The problem of Industrial Extension Service is as important as that of Agricultural Extension Service. If in the 40,000 technique popularisation centres, mentioned in Chapter XIII above, there are wings for industrial experts, then about Rs. 200 crores might have to be spent on capital construction, and about a lakh or so experts trained before results can really be expected.

And only if this chaotic field is so organised in this way, will it be possible to obtain precise information and plan further ahead?

CHAPTER XV

INDUSTRIAL LOCATION

A qualitative assessment of the allocation of different industries in India might first be attempted. Heavy metals like iron and steel are still concentrated mainly in the Jamshedpur-Calcutta area. The Ahmedabad-Baroda-Surat-Bombay complex is the centre for cotton, other important centres being Sholapur, Hubli, Coimbatore, Madura, Kanpur and Delhi. The jute industry is concentrated in Hooghly side. The main woollen centres are Kanpur, Amritsar and Bangalore. Leather work is concentrated at Kanpur and Madras. The Uttar Pradesh and Bihar constitute the homeland of the sugar industry. Paper and plywood are again concentrated in Hooghly side and in the Dun Terai. Glass is concentrated mainly in certain towns of Uttar Pradesh like Firozabad. Cement is scattered in many parts of India. Chemicals are more or less concentrated in Hooghly side and in Saurashtra. Foundry trades and engineering industries are again concentrated in Hooghly side, Madras and Bombay. There are some other areas of industrial development like Bhadravati in Mysore for iron and steel, Alwaye in Travancore and Muri in Bihar for aluminium and Sindri in Bihar for fertilisers. It will be seen, therefore, that industry is very unevenly scattered

over India. Mr. B. C. Ghosh in his pamphlet "Industrial Location" (Oxford Pamphlet on Indian Affairs No. 32, 1945) has constructed tables for different areas in India by taking what is known as the "location factor", that is to say, the percentage of the area's workers in the industry divided by its percentage of the total population. The important results of Mr. Ghosh's tables are as follows :

Bengal : 1st in jute, general engineering, paper; 2nd in chemicals; 3rd in iron and steel.

Bombay : 1st in non-jute textiles; 2nd in engineering; 3rd in glass.

U.P. : 1st in sugar and glass.

Bihar : 1st in iron and steel.

Baroda : 1st in chemicals; 2nd in non-jute textiles.

Mysore : 2nd in iron and steel and glass; 3rd in chemicals.

Calcutta, Bombay and Madras are port cities and they have been the centres of greatest European influence. Until the nineteen twenties railway rates and facilities were also adjusted in favour of the ports. Hence, auxiliary industries, trades, etc. grew up there. In the Kaveri basin the availability of hydro-electric power has led to the growth of textile mills there.

The location of industries in India is obviously lop-sided. But it is the same in most countries. There is an industrial axis in the United Kingdom in the Midlands. In the United States the main industrial axis is the Pittsburgh-Chicago area. In France, the Northern and North Eastern regions. In West Germany, the Ruhr and the Saar. In Japan, the Tokyo-Osaka axis. It is inevitable that industrial location in a country would be so lop-sided, as the siting of a factory depends, to a great extent, on the avail-

ability in the area of raw materials nearby. The most important factors entering into industrial location are :

- (a) transport;
- (b) labour;
- (c) agglomeration;
- (d) finance.

For heavy industries, the first factor is obviously the most important. Heavy industries cannot really be far away from the centres of raw materials. The idea of distance, however, is relative. In the U.S.A., iron ore is brought to Pittsburgh from Michigan, over a thousand miles away. In India, such a large distance for the haulage of iron ore would be unthinkable. For light industries, however, labour, and above all, the proximity of large consuming centres, would be very important. Hence, light industries can be dispersed without much difficulty. For heavy industries, regionalisation is not so easy.

The idea of regionalisation really began, in an effective manner, with Stalin. It was Stalin's basic concept that each economic region in the U.S.S.R. should be so developed, that in the case of invasion from potentially hostile capitalist countries, the occupation of one region will not cripple the economic power of the U.S.S.R. as a whole. The original Russian industrial region centred round Moscow. Another important region was in the Ukraine, round the Don Basin, known as the Doubass. Both these important regions, the Moscow-Ivanovo-Vosnessensk Oblast as well as the Donbass region, along with the Leningrad-Karelian Oblast were in European U.S.S.R. As this part was most susceptible to invasion from the West, self-centred industrial regions had, of necessity, to be developed further east. Thus grew up first the Ural complex and afterwards the Kuznetsk-Altay complex, as well as the light industrial complex in Turkestan. Fortunately, the Ural Mountains region is rich in mineral deposits. Iron, lead, copper, silver, aluminium, gold, platinum, coal, oil, potassium and precious

stones are all round in abundance in the Urals.¹ Similarly, the Kuznetsk complex contains rich deposits of iron very near the surface, and copper, as well as coal.² Even the U.S.A. is not so fortunately situated. One travels for thousands of miles in the Mid-West through a rich countryside, without seeing a single large mill or factory. Stalin's concept of having various self-sufficient regions was thus prompted by strategic considerations. The British, after the bombings of World War II, also turned to the idea of shifting basic industries into the hinterland. As Indian thought before Independence was tied to the apron strings of British thought, similar ideas were toyed with here and found expression in the old pamphlet published by the Economic Adviser to the Government of India, "The Location of Industry in India", 1946. It is not possible, however, to say anything very concrete on locational problems in India because of the absence of adequate data, as recognised in the 1946 pamphlet referred to above.³ When economic data are absent, it is but natural that politics, based mainly on linguistic grounds, should enter the field. This has been noticed by the States Reorganisation Commission, which has expressed its views cautiously as follows :

"Another important question is the equitable distribution of Central Government expenditure. Responsibility in respect of many development schemes has now passed to the Central Government, and the country is on the eve of rapid industrialisation. In these circumstances, the consideration of an industrial location plan may be of value at this stage, as it will ensure that Central Government expenditure is, as far as possible, spread uniformly all over the country.

This question of the location of industries has already been agitated by some States in connection with the proposed establishment of the steel and fertiliser factories which

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1. S. P. Turin : The U.S.S.R. An Economic and Social Survey (Methuen & Co. Ltd., London, 1948), p. 76.
 2. Ibid., p. 84.
 3. The Location of Industry in India, p. 75.

are being planned by the Government of India; and as the public sector grows in importance, claims and counter-claims by various States for a share of the Central Government's attention are likely to increase. These claims cannot, however, be dealt with satisfactorily, unless the framework of an industrial location plan, to which they can be related, is available.

It is not necessary at this stage to anticipate the difficulties of formulating a national policy in regard to the location of industry; and it would be premature to discuss the details of such a policy. We would recommend, however, that the entire question should be examined, so that the reorganised units might be assured or reassured that subject to the availability of natural resources and the requirements of the different industries, there would be an equitable distribution of Central Government expenditure, particularly of that part of the expenditure which will be incurred on the industrial plan."⁴

It would seem to be very necessary, therefore, to prepare an Industrial Location Plan for India. An expert Commission might be appointed for this purpose. Before the Plan produced by the Commission is adopted, it may be discussed in public and the final Plan may be placed before Parliament. This Industrial Location Plan, approved by Parliament, should then be incorporated in the Five-Year Plan. It might be one covering, say, 25 years. This Plan would be under constant study in the Perspective Planning Division of the Planning Commission. New discoveries of minerals and other deposits will affect the Plan. Any modifications suggested in any Five-Year Period should, however, first be vetted by an independent Expert Commission before it is accepted. In other words, in every five years there might be an Industrial Location Commission

4. Report of States Reorganisation Commission, 1955, paras. 842-844.

which would plan ahead for the next 25 years in general and would give detailed plans for the next five years. They would be assisted in their work by the studies of the Perspective Planning Division.

CHAPTER XVI

STATE TRADING

TRE State Trading Corporation in India is in its preliminary stages. It has been functioning for only a year. Its activities are not very well known to the public. The concept of State trading might, therefore, well be discussed from first principles.

Theoretically, the control of wholesale trade, including foreign trade, would be one of the most effective ways of controlling industries. Trade is the primary source of profits. Most distinguished founders of industries have had tradesmen as their ancestors. There is a special argument in India in favour of the control of at least foreign trade by the State. A perusal of the reports of our Trade Commissioners abroad for any time and of any country would reveal that many of our exporters do not send goods which correspond with the samples sent earlier. The samples are generally very good while the goods sent on the receipt of orders are often not to the specifications of the sample. Sometimes, better class goods are packed above, and shoddy goods below. Such practices, no doubt, bring to the Indian exporters concerned great monetary rewards. But they do not, in the long run, help the Indian export industry. On the other hand, the

lack of expertise on the part of Government officials has to be considered. Very few Indian officials, if any, have any practical knowledge of trading. For instance, if cotton is to be exported, can any Indian official discuss matters on the same ground with the big Bombay exporters? And, such expertise cannot be obtained from books. Practical experience in trading is the only possible way of obtaining the requisite knowledge. Nor would it be helpful to hire, on the comparatively low Government salaries, good experts from outside. A good expert will not come on low salaries. If high salaries are given there is no guarantee that the prize posts in question would be bagged by the best men. The Indian sociological position is such that it is quite possible that mediocre men might get these posts on higher salaries. There is practically no one in Indian Governments to test the capability of these men. The yielding of results can be the only test, until, after failures and difficulties, a corps of experienced State tradesmen grow up.

In the U.S.S.R., State trading was essential, as after the 1917 revolution capitalism collapsed in that country. The U.S.S.R. is extremely rich and could afford a measure of self-sufficiency which is not possible in India. There is a separate Ministry of Foreign Trade in the U.S.S.R. This agency controls the administration, planning and coordination of all foreign trade activities. Subordinate to this are several monopolistic export and import combines and State delegations abroad. These combines are of two types, territorial and those responsible for special types of trade. For example, Dalintorg handles all trade with the Far Eastern countries; Vostokintorg handles all trade with Turkey, Iraq and Afghanistan; and Sovmongoltorg handles all trade with the Mongolian People's Republic. In the second category are combines like Tekhnoeksport which handles exports of machinery, metals and metal articles; Tekhnopromimport which handles imports of machinery; Sovksporfilm exports Soviet films; Inturist makes arrangements for travel and accommodation of foreign tourists

visiting the Soviet Union.⁵ The export side is particularly specialised into different combines. Some examples are given below :

'Exportkhleb' exports grain, butter, poultry, bacon, fish products, canned goods, beans, sugar, oil-cake, and fruit.

'Rasnoexport' deals mainly with animal products as well as with matches and carpets.

'Exportles' deals with timber.

'Soyuspushnina' exports furs.

'Soyusnefteexport' deals with petroleum, oils and their by-products.

"Soyuspromexport" deals with exports of industrial products including fat products, chemicals, fertilizers, asbestos, manganese, ore and magnesite.

'Exportlen' deals with flax, tow and flax yarn.

'Promsyryoexport' exports cotton.

'Avtomotoexport' deals with automobiles.

'Tekhnoexport' exports machinery, tools, electrical equipment, and pig-iron.

'Lekhtekhsyryo' exports medicinal herbs, drugs and tobacco.

'Intorgkino', deals with cinema films, and

'Mezhdunarodnaya Kniga' with books, music, works of art, and antiques.⁶

Apart from the U.S.S.R., and other countries of the Soviet-Chinese block, few countries have had experience of State trading. The British, with their tremendous reserves of specialised commercial knowledge, went, under the Post-War Labour Government, mainly for bulk purchase contracts. These contracts were introduced as a means to

5. Walter Krause : *The International Economy* (Houghton Mifflin Company, 1954), p. 190.

6. S. P. Turin : *The U.S.S.R. An Economic and Social Survey* (Methuen & Co. Ltd., 1948), pp. 145-146

promote continued supply of foodstuff and raw materials under difficult conditions. This State trading fitted in well with the mild type of socialism which was ushered in Post War Britain. These bulk purchase contracts were generally for 3—15 years periods. When the agreements were for more than one year, there were provisions for periodic reviews of prices.⁷

In the background of what has been stated above one might now pose the two basic questions which concern us here :

(a) should Governments in India go in for State trading;

(b) if so, what is the best way?

State trading has certain advantages, as already pointed out earlier. A country can also buy cheaper and sell dearer if export trade is monopolised and if in the other country there are many firms instead of one. There might be a case for going in for State trading as regards commodities which are valuable earners of foreign exchange as well as foodstuffs. This will meet, however, with strong opposition. Some of the good foreign exchange earning trades like the tea trade are highly organised and require very specialised knowledge, which practically no one in Government possess. In dealing with countries which have State Trading Corporations, the best method might be to have governmental organisations of our own. Otherwise, much will have to be left to private importers and exporters and this may not always be to the immediate advantage to the people at large, besides there being elements of political difficulty. On the other hand, negotiations with State Trading Corporations of other countries are not likely to be of great commercial benefit to us, as one monopoly can speak to another monopoly only in terms of the economic power behind each and there is

7. Walter Krause : The International Economy (Houghton Mifflin Company, 1954), pp. 193-94.

little scope for a tradesman's skill in negotiations and the seizing of opportunities. If officials in a State Trading Corporation are particularly raw, other State Trading Corporations in foreign countries might derive some advantage initially, but ultimately all bureaucrats in most countries in the world approximate to about the same pattern. The conclusion which emerges is admittedly not very satisfactory or clear cut. State trading might be had recourse to in the case of those commodities where Government can assume a monopoly of the wholesale trade within a country as well. Secondly, it would be advisable to have different corporations for different categories of export and import items and have adequate staff both from the point of view of numbers, as well as experience.

CHAPTER XVII

THE PRIVATE SECTOR

THERE are two important questions :

- (a) the link between the private sector on the one hand and the Planning Commission and the Government on the other;
- (b) the grant of assistance in different forms to the private sector by Government.

The pattern of industrial development which is unfolding in India is roughly as follows :

- (a) large State undertakings in an increasing measure, especially in matters like power, iron and steel, and basic industries, like machine tools, ship-building and also armaments;
- (b) large-scale private industries, especially on the consumer goods side like cotton, textiles, sugar and matches;
- (c) small-scale industries.

The role of the State is coming to be to strengthen (c) as much as possible and rapidly to augment (a). Since the State would be going in mainly for basic industries, there would be great scope for small-scale industries to supplement (b) both as regards variety as well as local needs.

There is no reason why (b) and (c) should compete. On the other hand, the strengthening of (c) will give employment to many, and the increased purchasing power would lead to greater happiness. The real problem is to strike a balance between (b) and (c), locality by locality, and by each category of consumer goods. This task should be attempted by the Planning Commission with the help of State Planning Commissions, if such bodies are formed. The industrial wings of the "technique popularisation centres" should be able to supply the necessary information as regards small-scale industries. These "technique popularisation centres" would be able to look after the special problems of small-scale units, viz. supply of raw materials and of skilled personnel, and the standardisation of products. The problem has been discussed, to some extent, in Chapter XIV above, and will be further discussed in Chapter XVIII.

In the case of large scale industries, the main link between private industry and Government is through the machinery of physical allocation of raw materials. This has been discussed in Chapter XIV.

The question of assistance to industry, especially as regards new techniques, is most important. There are very few specialised research institutes catering to the needs of different industries in this country. The principal exceptions are the Ahmedabad Textile Industries Research Association, the Indian Jute Mills Association Research Institute and the Silk and Art Silk Mills Research Association.¹

The ideal would be to have State laboratories for each industry. There should be close collaboration between the private sector and these laboratories. The question whether inventions and discoveries arising out of such Government laboratories should be made available to the private sector is one of fundamental importance. Many people might treat this as an ethical question. They might say that

1. Second Five-Year Plan, p. 529.

there is no reason why private capitalist should make profits out of research carried on in Government laboratories. If the existence of a private sector is accepted, then it automatically follows that all action should be taken to make this private sector as efficient as possible. It is idle to expect most industries in India to undertake research themselves. Only entrepreneurs understand the value of research, while in India we do not have real entrepreneurs. Some tradesmen have turned capitalists but in many cases trading is still the primary pre-occupation. Under the circumstances, especially where there is Government control of economic activities, research should also be financed and carried out by Government. Any book on American technical development would indicate how much America owes to her scientists in industrial research laboratories. Ultimately, India can get out of the woods mainly through the work of her scientists in Industrial Research Laboratories.

It might perhaps be redundant to add that the scientists recruited to different Industrial Research Laboratories should be there only on their merits. There should be no quotas here, clearly specified or implied, for castes, communities and different linguistic groupings.

CHAPTER XVIII

PLANNING AND THE SOCIAL SERVICES

In Article 45 of the Indian Constitution it has been laid down :

"The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years."

Part IV dealing with the Directive Principles of State Policy breath an air of secular humanism. It is the reflection of a materialistic-humanistic-democratic mind. How best can its provisions be carried out in practice?

Of all the social services which go to build up the people education is the most important. It was education which made Scotsmen Empire Builders one day. Education took the Germans and the Japanese to the forefront of World affairs. The Americans are an extremely highly educated people, by and large, and practically everybody has praised the Soviet educational system. For instance, in a recent article, the well-known commentator on Soviet affairs, Mr. Harrison E. Salisbury, says that the present Soviet leaders have inherited from Stalin a priceless asset in the excellently equipped educational system in which technology, science

and pure research have been heavily emphasised.¹ The motivation-pattern of a society can be changed from time to time through a proper and universal system of education. The first problem is, therefore, to decide what is a proper system. Much is being said in India today of what is known as "basic education". This does not appear to be widely prevalent anywhere in the world. Whether India can forge ahead with "basic education" is, therefore, a matter for debate.

In previous chapters mention has been made of proposed "technique popularisation centres". These centres can obviously fulfil multi-purpose functions. For our purposes they may be termed, therefore, "Key Stations". Stations which will function as catalysts in changing the mind and face of India. The personnel of different types required for Key Stations from time to time can be calculated and provision can be made accordingly in universities and other educational institutes. If there are about 40,000 Key Stations, each with about 50 or 60 teachers of different kinds, then over two million people will be employed to bring in universal literacy and to change the motivation-pattern of the people at large. The running costs for the whole of India might run to about Rs. 500 to 600 crores per annum, initially, which is not too high a price for the benefits that would follow. The Key Stations in India would also make the correlation of educational facilities with job-opportunities possible and thus eradicate educated unemployment.

The health of the people can also be looked after from these Key Stations. If necessary, health services can be nationalised. This, together with the Key Stations, will be of help, if required, in the control of population. Health, education, etc. pertain to the State sphere under our Constitutional arrangements. It might be argued that under such

1. The New York Times Weekly Review, International Edition, January 27, 1957.

circumstances, a Centrally directed programme of Key Stations may not be welcome. As a matter of fact, all Constitutions are flexible and work differently in different ages. Already there is a great deal of cost sharing arrangements by mutual agreement between the Centre and the States. There is no reason why the Key Stations cannot come into existence to cater, amongst other things, to the social services, by an extension and amplifications of such arrangements.

The Key Stations can also deal with assistance to private sector (Chapter XVII).

The total cost of Key Stations is such that special assessments will be necessary. The per capita annual assessment will be only a little above Rs. 10 per annum—surely a price worth paying for ?

CHAPTER XIX

RECREATION AND SPORTS

RECENTLY a book entitled "Not by Bread Alone" by Vladimir Dudintsev has created a furore in the U.S.S.R. Dudintsev has taken a Biblical title for his book, the main thesis of which is that the human spirit cannot be put in a straight jacket for ever and that materialistic considerations are not everything. Contemporary U.S.S.R. is soaked with ideology. And, the effort to "catch up" with the United States in a few decades has brought much misery for some people. It is generally admitted, however, that bread is not the sole aim of living in Soviet society. Facilities for sports and cultural activities of all kinds have been given to millions who were formerly in complete darkness.

In India there has always been very strong regional folk cultures, which successive waves of conquerors have not been able to suppress. Pithy proverbs, religious songs, fairs and folk dances constitute the fabric of these folk cultures. The Court culture of the Aryans and of the Muslims were undoubtedly based, to a great extent, on the folk cultures of India. There has subsequently been intrusions of Western modes of sports and recreation. The result is that the field is more or less unorganised and chaotic. Even in the

matter of cultural forms there is existence side by side without harmonisation; for instance, much of modern Indian film music. The State obviously cannot plan what classics should be written or what works of art created. But it can give opportunities to people with talent. Anyone, who has the slightest interest in the history of West European music, knows how much the various conservatories which have existed in most West European cities, have helped in the recognition of talent. If the Key Station idea is accepted, then these Stations might well form nuclei for sports and recreational activities as well. There will have to be whole-time coaches for sports. So far as recreation goes, with each of these Stations might be attached museums, parks, theatres, art galleries and schools and auditoria. There should be specific provision for Indian Classical and modern music. In some of the big cities there might also be provision for Western classical and modern music. Unless State patronage takes the place of the Court it will not be possible to work on the folk cultures in a manner which will find acceptance everywhere in India and abroad as "higher culture".

If such ideas are accepted then Departments of Sports and Recreation would obviously be necessary, both in the Centre, as well as in the States, to organise activities.

CHAPTER XX

WOMEN AND PLANNING

THE role of women in the life of a society depends on the basic philosophy of the society concerned. Women can play many roles, if given opportunities. There have been women scientists, like Madame Curie, women warriors like Joan of Arc, and the Rani of Jhansi, and great stateswomen like Queen Elizabeth I of England and Catherine the Great of Russia. Generally speaking, however, motherhood comes first with most women and domestic affairs and domestic management second. As a consequence, even if some of them are much more intelligent than their husbands their intellect and talents are not utilised outside their homes. So far, the technological condition of most societies has been such that the adage "women's work is never done" has been true. Today, however, in most societies, the technological level is fast becoming such that women have much more time on their hands than they used to have before. This general assertion is, of course, subject to many reservations. Women of the so-called "upper" classes all over the world in the past have had a great deal of leisure. In underdeveloped countries, like India, the vast majority of women still have their hands very full, which is not quite the state of affairs in advanced countries like the

U.S.A. In India there are some classes of women, however, belonging to the so-called "upper classes", who apparently have a lot of time in their hands and who are keen to do "social work". If such public activities are to be indulged in by women, then methods should be thought out to make their efforts fruitful and effective.

If this basic idea is accepted, then one would first have to demarcate certain spheres of activities where women might be given preference in employment. In this matter, Western experience might be of assistance, on the assumption that feminine human nature is much more alike everywhere than the motivations of men, which, due to long cultural conditioning, vary from region to region. In the West, teaching in schools, and especially primary schools, is now overwhelmingly done by women. Nurses again are practically wholly women. In the U.S.S.R. apparently two-thirds of the doctors are women and in many countries of the West clerical duties are also done mainly by women. There seems to be no reason why in school teaching preference should not be given to women. This assumes that apart from some specialised girls' schools and boys' schools, education would have to be mainly co-educational. Again, women might be encouraged to go in for nursing and medicine by giving them comfortable scales of pay, and preference in appointments over men. Most of the teachers, nurses and doctors will not be required in the cities. They would have to go to villages and so far that has not been possible, as city girls find it difficult to live in villages. Mere exhortations that they should live in villages would not be adequate, as it has not been in practice. The Key Stations proposed, however, would be centres of urbanism in the countryside, which would draw on it and enrich it in return in many ways. There would be quite a large number of men and women in these Key Stations and there is no reason why city girls in Key Stations should not have the opportunities and facilities to which they are used to in their homes. To begin with, conditions may not be so easy, but later on

things will improve, and there will always be something substantial and material in prospect. This will serve as a greater incentive than mere exhortations to "serve the country".

If women are employed in large numbers, then it will have to be taken for granted that their conditions of service cannot be the same as those of men and arrangements will have to be made accordingly. For instance, a girl might be trained as a good teacher and may be sent to a Key Station. After some time at a Key Station, however, and quite suddenly, she might decide to marry and concentrate on household activities, at least for some time. Such contingencies will have to be visualised and accepted. The girl who has had the experience of teaching at a Key Station for some time should be able to mould her children, speaking in a very general way, better than illiterate mothers. Hence, the value of her training is not lost. Separate rules and conditions of service will, therefore, have to be framed for women.

It might be objected that the reservation or certain fields for women or giving preference to them, will endanger the employment prospects of young men. As a matter of fact, if the Key Station idea is accepted and pursued with vigour and if the large-scale industrial and agricultural programmes visualised in the Five-Year Plans come into fruition, there should be more jobs than skilled men. Men should go in more and more for factories, and for industrial and agricultural production and supervision. If 40,000 Key Stations are opened, then there should be job opportunities for many of the educated unemployed. The under-employed will also soon be drawn into the evolving system. There would be many advantages in reserving certain spheres of activities right from the beginning for women in this pattern.

The question of appointing women in Government offices is a little more complicated. It is often easier to

master a science than to understand Government regulations. Unless, therefore, regulations are simplified, the employment of women might create some difficulties. It might, however, have an advantage in the sense that the increasing employment of women might lead to the subtle regulations, framed by intellectual people who were denied other opportunities under British Rule, falling into disuse. Good sense might then come into its own.

If the activities of women are to be organised so that their services can be as fruitful as possible, separate Women's Departments in the Centre and in the States would seem to be called for. Within such Departments there might be functional branches dealing with different spheres of activities, like cottage industries, agriculture, etc. These Women's Departments will be mainly coordinating agencies and will have to have close links with the functional departments of Government.

CHAPTER XXI

INTERNAL FINANCE

THE main question in the realm of internal finance is whether there should be deficit financing, and, if so, how the new money which would be created should be used.

For the Second Five-Year Plan, the Planning Commission has made the following provision for the Rs. 4,800 crores pertaining to the public sector :

				(crores)
1.	Surplus from Current Revenues	..	..	<u>800</u>
(a)	at 1955-56 rates of taxation	..	..	350
(b)	additional taxation	..	..	450
2.	Borrowings from the Public	..	..	<u>1,200</u>
(a)	Market loans	..	..	700
(b)	Small savings	..	..	500
3.	Other budgetary sources	..	..	<u>400</u>
(a)	Railways' construction to the development programme	..	..	150
(b)	Provident Funds and other Deposit heads			250
4.	External Assistance	..	..	800
5.	Deficit financing	..	..	<u>1,200</u>
6.	Uncovered gap	..	..	400
			Total	<u>4,800¹</u>

1. Second Five-Year Plan, pp. 77-78.

It will be seen that about 25% of the money is to be obtained by deficit financing. Deficit financing is necessary, as there may not be adequate savings. The ratio of savings to national income is a function, not only of the inequality of incomes but more precisely of the ratio of profits to national income.² To put this economic maxim in popular terms, only those rich people who are becoming richer and richer can really contribute much to national savings. Today rich people of that kind are perhaps less in India, expressed as a percentage of the population, than they used to be. The princes and big zamindars have gone. Private capitalists have always existed in some form or other in India although hitherto they had concentrated practically wholly on trade. There has been a rapid growth of the middle class. But, as Prof. Lewis says, middle class savings are of little consequence for productive investment, as middle class people "are always trying to keep with the Jones's".³ Nor can much be hoped from small savings. According to an authority on economic growth, the small savings movement does not yield more than about 1% of the national income, although in Japan figures as high as 8-10% savings out of wages, salaries and peasants' incomes have been reported.⁴

If total savings are not adequate, then taxation and borrowings will not be enough and there will be no alternative but to have some deficit financing. Deficit financing means, in the last resort, more note issue. As a consequence, the value of money becomes less, prices go up, and people with fixed incomes are hard hit. It often becomes necessary, therefore, to have resort to the control and rationing of scarce commodities. But control and rationing lead to problems of corruption and black marketing. Hence, the extent to which deficit financing can be resorted to is an extremely grave problem which requires very careful

2. Professor W. Arthur Lewis: Theory of Economic Growth, (Allen and Unwin, 1955), p. 227.

3. Ibid., p. 228.

4. Prof. W. Arthur Lewis: Ibid., pp. 228-229.

judgment. To some extent deficit financing is necessary as otherwise the money will not be forthcoming. On the other hand, too much deficit financing might mean inflation and hardship to the people and if inflation becomes very great, loss of confidence in Government. There is a limit, therefore, to the extent to which deficit financing can be resorted. Mrs. Joan Robinson calls the limit "the inflation barrier".⁵ This inflation barrier is determined by the maximum proportion of quasi-rent to wages, quasi-rent being defined as the excess of proceeds over running costs.⁶ It is doubtful whether any methods have been found to apply this maxim mechanically to a given economy. Where an inflation barrier begins, therefore, has still to be a matter of judgment and rule of thumb. However, if adequate data are forthcoming, more precise calculations may be possible in the future, especially if there are greater mathematical refinements of the concept of the "inflation barrier".

If "new money" is necessary, then how is it to be used? The danger to "new money" is that it might not yield results within a short period of time, while the greater purchasing power will press on a limited supply of consumption goods and services. For an underdeveloped economy "new money" should be used as far as possible, therefore, on schemes where the return is quick, like agricultural extension services, land clearance, drainage and reclamation, medium and minor irrigation works, etc.⁷

Separate accounts might, therefore, be kept of how "new money" is used. Or, what comes to the same thing, of the proportions of short and long-term schemes, expressed in financial terms, to the total sums which are to be spent. Initially, the proportion of short-term schemes has to be

5. Mrs. Joan Robinson: *The Accumulation of Capital* (Macmillan 1956, Students' Edition), p. 48.
6. *Ibid.*, pp. 48, 13.
7. Cf. Prof. Arthur Lewis : *The Theory of Economic Growth* (George Allen & Unwin, 1955), p. 225.

somewhat high, although even here they should be on basic development, as far as this is possible. Subsequently, the proportion of long-term schemes can become greater and greater.

CHAPTER XXII

EXTERNAL FINANCE

In Chapter XXI we have seen that external assistance to the extent of Rs. 800 crores has been visualised in the Second Five-Year Plan to carry to success the programmes included in it. This represents, really, the foreign exchange gap. The main question about foreign exchange is : should a country agree to receive external assistance or should it only borrow ?

It is necessary for an underdeveloped country to go to advanced foreign countries for imports of machinery and so on. After the machine building industries have been established at home, then the dependence on foreign countries would be less. It is difficult for underdeveloped countries to rely wholly on trade to get all the foreign exchange that is necessary. One way of getting more foreign exchange is by curtailing imports. It is not difficult curtailing imports. But, if that is done, people at home who are used to a certain standard of life will pay more for things to which they are accustomed. This will distort the production pattern at home. Unless it is desired to give a fillip to the consumer goods industries, curtailment of imports without control of production of certain types of consumer

goods might lead to the flow of funds from basic investment to the manufacture of the consumer goods in demand. Underdeveloped countries also find it difficult to get adequate foreign exchange by exporting more. The commodities which they sell abroad are mainly raw materials and the products of plantation industries. For instance, India sells abroad commodities like jute, hides and skins, tea, cashew nuts, etc. Habits have now become so fixed in most countries in the world that there is perhaps not much scope for a spectacular rise in the consumption of Indian tea. As regards hides and skins, its export conflicts with the large leather industry at home. Vegetable oils and oil seeds might be good foreign exchange earners. But here again, the need for serving home industries has to come first. There is very little by way of manufactured goods which India sells to advanced countries at present. One likely field might be cheap cotton and silk textiles. If this field is explored and costs brought down, perhaps the position of Japan before World War II can be aspired to. The same aspiration may perhaps be entertained with regard to machinery. Any internal subsidy that may be necessary might perhaps be well worth the while, if valuable foreign exchange can be obtained in return thereby. At the present moment, however, we are a long way off from being anywhere near Japan's position before World War II. Trade, therefore, offers no way out.

Can one hope to obtain funds from foreign business men? Direct company financing of foreign investment is not very high now. Before 1929 Governments could borrow from private lenders in the capital market. This is not possible now for many reasons. Foreign companies fear the possible denial of foreign exchange for transferring profits or repatriating capital. They also entertain fears of nationalisation.

Also, the largest source of investment from abroad is the U.S.A. There seems to be very little possibility of

businessmen from the United States investing in underdeveloped countries like India. Businessmen are naturally actuated first and foremost by expectations of profits. They also like to invest in countries about which they know. For Americans, South America, Canada, Mexico, are vast fields near home. They know the peoples of these countries. India is far away and very little is known about it in the United States. What little is known might, as likely as not, be uncomplimentary.

The noted economist, Mr. P. N. Rosenstein-Rodan, has suggested the method of "management contracts" to tide over foreign exchange difficulties and to obtain foreign technical "know how". Essentially, the idea is that foreign firms, operating under contract, would set up and manage new plants in underdeveloped countries. The plant would be owned by the Government of the country concerned. But the foreign firms would be granted a fixed interest bearing loan, in internal currency, during the period of management, which should be fairly long. Technical assistance as well as outside capital would thus be forthcoming. This line of activity might yield some results in the future. The difficulty in this method is essentially that few in underdeveloped countries know really much about matters in which such management contracts are made. Thus, if an aero-engine building industry is to be set up in India, there would be very few who would really be able to talk with the technical experts of the foreign company in question on equal terms. Foreign companies will also not come unless they get something more out of the deal than they would at home. It will be idle to expect, therefore, that one would be able to squeeze foreign companies into doing things out of which they would not derive the profits which they have anticipated. The only safeguard is to ensure that goods of the proper quality come out in time, and at not too high a cost, in setting up the plant; and that, in the process, a corps of efficient technical men grow up in India itself.

Since the last World War, foreign aid has become an accepted component of the international economic pattern. Direct aid from a country, however, as Gunnar Myrdal points out, is dangerous. He pithily observes that the two countries that are least anti-American in Europe are Sweden and Switzerland, countries which have kept themselves out of civilian as well as military aid.¹ It is impossible, ultimately, not to take sides when receiving foreign assistance from a country. A statesman of the stature of Pandit Nehru might not get entangled, but it would be difficult for lesser men to keep out.

Assistance through United Nations agencies, however, is another matter. But the Special United Nations Fund for Economic Development (SUNFED) has not as yet come into existence, although the concept has been in the air for some time. The United Nations experts have calculated that for a 2% increase in the per capita income in agriculture and industries in underdeveloped countries \$ 10 billion would be required per annum. This is only 15% of the total defence burden of advanced countries.² For SUNFED, experts have estimated that at least \$2,500 million is required, which is less than 1% of the defence budget of the advanced countries.³ The amount actually required for SUNFED to start with is only \$ 250 million and yet this is not forthcoming. Under the circumstances, can much be expected by way of international economic aid ? There remains the question of borrowing from the International Bank to bridge the foreign exchange gap. Borrowing from foreign countries has been found essential in the past for economic growth. England herself borrowed in the 17th and 18th Centuries from Holland. U.S.A. borrowed from the United Kingdom in the 19th Century. Germany also

1. Gunnar Myrdal: *An International Economy* (Harper Brothers, New York, 1956), p. 70.
2. U. N. Measures for the economic development of underdeveloped countries, 1955, pp. 75 ff.
3. Gunnar Myrdal: *An International Economy* (Harper Brothers, New York, 1956), p. 124.

borrowed from the United Kingdom in the 19th Century. Hence, foreign borrowing cannot be objectionable. The International Bank, however, in the nature of things, has to look upon foreign projects with the proper caution necessary in a banking organisation, while what underdeveloped countries really require is risk capital. The rates of the International Bank are comparatively low (3 to 5%) and the periods of payment are comparatively long, but the Bank insists, and perhaps properly, that the project in question should be self-liquidating. Many projects in underdeveloped countries, however, have to be on basic social services, which are not self-liquidating. Hence, the scope of loans from the International Bank is restricted.

There is no real solution till there is disarmament and the sums spent on defence diverted to some sort of SUNFED. The hope that countries would disarm does not appear to be very bright just at present. An underdeveloped country should not, Micawber-like, hope for disarmament or something like it turning up round the corner, making possible the availability of foreign funds. Management contracts and loans from foreign countries as well as from the International Bank seem to be the way out. Aid might be better eschewed, as far as possible, if entanglement in international politics is to be avoided. Meanwhile, steps might be taken to promote certain export industries so that the path trod by Japan prior to World War II can be followed to the extent it is feasible.

CHAPTER XXIII

REGIONAL GRIEVANCES

THAT regional grievances exist has been admitted by the States Reorganisation Commission, whose observations are as follows :

"Reference has been made elsewhere in this report to the grievances of particular areas on the ground of arrested economic development. We have tried to examine these grievances, and while it has been difficult to strike a balance-sheet of the gains and losses of the various areas, so far as we have been able to judge, these complaints are, generally speaking, exaggerated.

The feeling that some areas have been or will be neglected, is however, one, which, whether it is rational or not, has to be taken into consideration as an existing fact. If it is at all possible, it will be desirable, therefore, to devise such arrangements in future that no State or area will have any ground for complaint.

Some attempts have been made in the past mainly as a result of non-official efforts, to provide adequate assurances of non-discrimination and equal treatment along these lines. The Sri Baug Pact of 1937 in the case of Andhra, and the Akola Pact of 1947 and the Nagpur Pact of 1953 in the case of Maharashtra may

be cited as examples. These pacts represent an attempt to as equitably as possible the benefits and advantages which may be derived from the location of important offices or institutions of the State Government and from the expenditure of the State Governments in general.

We have carefully examined the question whether it will be possible to suggest certain broad lines of action to the reorganised States. Apart, however, from other difficulties, an attempt to prescribe in advance the direction in which expenditure will be incurred to meet regional or local demands seems to us to be bad in principle and we would be reluctant to depart from the salutary principle that a Government should not be tied to commitments which it may not be able to fulfil and which may not later on reflect the needs of the times".¹

To mitigate these fears, the States Reorganisation Commission has suggested the constitution of Special Development Boards for areas which are underdeveloped within India itself. The Commission did not naturally go into the details of such Boards. But apparently they had in mind expert bodies which would assess requirements and availabilities dispassionately. If such Boards are constituted, their plans will have to fit in with the plans of the States concerned. The States Reorganisation Commission have also suggested that the Centre might, if necessary, exercise supervisory power in relation to such economically underdeveloped areas and that a suitable provision might be made in the Constitution for the purpose.²

They have also suggested the institution of a permanent Body, consisting of persons "who should inspire public confidence" to look into the economic grievances of different areas. They propose that on the one hand it should remove wrong impressions, and on the other redress legitimate

1. Report of the States Reorganisation Commission, paras. 835-838.
2. Ibid., paras. 839-840.

grievances of various areas. They have also suggested that this Body might include some Members of the Planning Commission and that its reports might be submitted to the National Development Council. One may doubt, however, whether if such a Body is set up, the hopes of the States Reorganisation Commission will be realised. It is part of the functions of the Planning Commission to mitigate the economic grievances of different areas, and to allay suspicions where the grievances are mainly imaginary. At a higher level, this work has to be done in the National Development Council, consisting of the Prime Minister, the Cabinet Ministers concerned, Chief Ministers of various States and the Members of the Planning Commission. Another Body will only duplicate matters and might perhaps lead to misunderstanding. If there is regional planning in the manner suggested in Chapter XXIV below, the reasons would be still less strong for setting up a separate Body to look into the economic grievances of different areas.

CHAPTER XXIV

REGIONAL PLANNING

REGIONAL planning is really a Soviet idea and especially the idea of Stalin, as pointed out in Chapter XV. However, there have been others before Stalin who did pioneer thinking in the matter. Patrick Geddes defined regionalism as "an experimental problem, that of starting a re-adaptation". Regional planning is the connecting link between local and State planning and sometimes perhaps local and national planning. The Americans have done some regional planning in the TVA.

The first task in regional planning is to define economic regions. This is a very difficult task. So far as India is concerned no satisfactory division has yet been agreed upon, in spite of the thinking of economic geographers like G. Kuriyan and O. H. K. Spate.

The divisions made by geographers might not also fit in with the requirements of planners and administrators. Thus, Mr. Spate has split up the Kosi area into the Kosi basin, which comes under "Eastern Himalaya" and consists of three separate sub-items as follows :

- (i) Siwaliks and longitudinal valleys
- (ii) Arun gorge
- (iii) Everest massif.¹

The Kosi flood plain is, however, included within a sub-item under the item "Middle Ganges Plain" under the regional heading "Ganges Plains".²

Similarly, the Damodar Valley has been split up between the Western Margins of Bengal and Chota Nagpur.

Economic regions have to be fixed with reference to economic activities which Governments have in mind. For instance, if a river valley is to be developed, then the whole basin should be treated as an economic region. To start with, it would not be possible, and also unnecessary, to divide the whole of India into various economic regions. There might, however, be regional studies of the Damodar Valley, of the Kosi area, of the Mahanadi Basin and of the Bhakra Nangal area. After the economic regions in question have been defined, an Expert Regional Council might perhaps be set up for each of these regions. The Regional Councils will have to consist of specialist staff working together as a team and developing what may be called a "composite mind". If Key Stations are formed, these Regional Councils would get basic information from them. These Regional Councils would form links between the local needs of the area and of the States concerned as well as the Centre. If Zonal Councils function effectively, then perhaps most of their work would consist, on the economic side, in ironing out, at high levels, the inter-State difficulties which might perhaps arise in Regional Councils. With the passage of time, and experience, a "composite mind" should grow in each Regional Council, thus making planning easier.

1. O. H. K. Spate : India and Pakistan, (Methuen & Co., London, 1954), p. 355.
 2. Spate : *Ibid.*, p. 356.

As planning in the regions would be very detailed, from "grass roots", and from below, each of them might have a School of Planning. People with some experience in Key Stations might study there how to plan and how to work together as a team. Today, in India, we have only very general conceptions on the subject as there has been very little by way of coordinated field work.

CHAPTER XXV

STOCK TAKING OF DEVELOPMENT SCHEMES

THE importance of evaluating results in a development state cannot be emphasised too much. In the U.S.S.R., Molotov on one occasion said that if Plans are not verified as regards their fulfilment right up to the very end, then they would be only Plans on paper.¹ The Soviet authorities lay great stress on this evaluation, which they call "khozraschyon". "Khozraschyon" is a combination of cost accounting, economic accounting and administrative evaluation. The purpose is to secure control over :

- (a) use of materials, equipment, power and fuel;
- (b) application of the prescribed technological measures ;
- (c) effort to improve quality of production; and
- (d) labour productivity.²

The various Kmosomol (Young Communist) units organise special "control brigades" and "control outposts" to help in "khozraschyon" activities.³

1. Rovinskii : Finansovaya Systema S.S.S.R. (Moscow, 1952), p. 144.

2. & 3. Alexander Vucinich : Soviet Economic Institutions (Hoover Institute Studies, Stanford, University Press, 1952), p. 10.

Executive officials would naturally resent "khozraschyot". But there is no reason why they should do so if "khozraschyot" activities are so organised as to include them also in the evaluation teams. An evaluation team might then consist of representatives of administrative departments, the Development Commissioner's Office, audit, and economists and statisticians. To make matters a little clearer as to what is meant by stock-taking, a simple pro forma is given below, purely by way of illustration :

- | | |
|---|---|
| 1. SERIAL NUMBER.
2. NAME OF THE SCHEME.
3. DATE BEGUN.
4. DATE OF COMPLETION.

5. WHETHER THE SCHEME IS CLASSED AS PRODUCTIVE
OR UNPRODUCTIVE.

6. TOTAL ESTIMATED FIVE-YEAR COST. ESTIMATES AT
THE BEGINNING OF THE YEAR FIRST YEAR.

ACTUALS AT THE CLOSE OF THE YEAR. ESTIMATES AT
THE BEGINNING OF THE YEAR SECOND YEAR.

ACTUALS AT THE CLOSE OF THE YEAR. CUMULATIVE
ACTUALS TO THE END OF SECOND YEAR.

ACTUALS AT THE CLOSE OF THE YEAR. CUMULATIVE
ACTUALS TO THE END OF THE YEAR.

ESTIMATES AT THE BEGINNING OF THE YEAR.

ACTUALS AT THE CLOSE OF THE YEAR. CUMU-
LATIVE ACTUALS TO THE END OF THE
FOURTH YEAR.

ESTIMATES AT THE BEGINNING OF THE YEAR.

ACTUALS AT THE CLOSE OF THE YEAR. CUMU-
LATIVE ACTUALS AT THE END OF FIFTH
YEAR. | A
L
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&

P
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S
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R
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|---|---|

7. INCIDENTAL EXPENDITURE ON PLANNING
AND PREPARATION.
8. TOTAL EXPENDITURE TILL COMPLETION.
9. ANNUAL RECURRING MAINTENANCE COST
AFTER COMPLETION.
10. PLANNED TARGET (PHYSICAL)
FIRST YEAR.
SECOND YEAR.
11. THIRD YEAR.
FOURTH YEAR.
FIFTH YEAR.
12. MATERIAL DEVIATIONS FROM SANCTIONED SCHEMES TOGETHER WITH REASONS THEREOF.
13. LOSSES INCURRED WITH DETAILS.
14. BENEFITS DEVOLVED, E. G. ADDITIONAL REVENUE ACCRUED, ETC.
15. REMARKS.

T	A	C	H	I	E	V	E	D	F
A	R	G	E	E	R	O			
R	E	E	T						
E	T								
T									

The above rough pro forma can, of course, be refined in many ways. The basic point is, however, that there should be an independent scrutiny of what has been done, both physically as well as financially. Today physical evaluation in India is in its infancy. If a certain sum of money has been spent it is assumed that the requisite results have been achieved. For instance, it is assumed that if "X" rupees have been spent, then "Y" maunds of extra paddy has been sown. Common sense will tell one that this need not always be the case. There can be a great deal of leakage in the conduit pipe. Without physical evaluation, therefore, we will really be in the dark about how most of our schemes

are progressing. There are difficulties in such evaluation. If activities are restricted to Key Stations, then it should be possible to obtain adequate data from which evaluation reports can be prepared.

CHAPTER XXVI

STREAMLINING THE ADMINISTRATION.

MANY suggestions have been made in the last ten years for streamlining the administration so as to make it fit in with the needs of a democracy which is also a Welfare State. The names of Mr. A. D. Gorwala, Dr. Appleby and Mr. Ashok Chanda, Comptroller and Auditor General of India, come readily to mind. In this chapter we will consider briefly some of the many proposals made by Dr. Appleby and Mr. Chanda.

The First Appleby Report has apparently not been made public. His second report came out in August 1956, and has been summarised in "The Indian Journal of Public Administration" (July-September 1956 issue). Dr. Appleby's main thesis is that expenditure control is used to far too great an extent as a substitute for good budgetting; that the Comptroller and Auditor General's function is not really a very important one; it is a necessary but highly pedestrian function with a narrow perspective and very limited usefulness, and that Parliament is messing about too much in executive matters.

Dr. Appleby, in his earlier report, had suggested greater financial delegation to Ministries. This was also proposed

by Mr. Chanda, but fell through because of the reported opposition of the then Finance Minister, Mr. Deshmukh. Mr. Krishnamachari, the present Finance Minister, has proposed certain reforms which might go a great way in bettering the situation, provided personnel of the right type are utilised. Mr. Krishnamachari's reform is mid-way between the pre-World War I British system which is in vogue in India and the present British system. Dr. Appleby is in favour of using the budget as the main instrument of expenditure control. I have studied, to some extent, the system in the United States. A class of officials known as "budget examiners" scrutinise expenditure proposals there minutely for six months to a year before the estimates are actually placed before the Legislature. A vast army of officials is employed. Secondly, the State does very little by way of development expenditure in the United States. Some basic services, like roads, aerodromes, etc. are provided for but even here, apart from roads, there is nothing which private businessmen cannot do. Hence, Governmental problems are far simpler in the U.S.A. than in India. Also, in India, it is easier said that estimates should be prepared accurately than to do so. There are many imponderable factors like the import of machinery from foreign countries. Their delivery dates and prices are by no means stable. Nor do we have such aggressive Congressional bodies as in the U.S.A. which would scrutinise expenditure proposals in detail. I personally think that the American system is better than the British system, which we have been copying for the last few centuries. But unless our whole system is changed to conform to the American pattern, a few changes here and there will be of no avail. Thus, if the budget is to be used in the manner in which it is utilised in the United States, the following prerequisites are necessary :

- (a) possibility of firmness about delivery dates and prices of machinery from abroad;
- (b) a huge army of budget examiners;

- (c) aggressive Legislative Committees which in America do much of the work of expenditure control that is done in the U.K. by the Treasury and in India by the Finance Departments;
- (d) either restricting our projects to roads, building, aerodromes, etc.; or having for each project a multitude of specialised budget examiners; for, it stands to reason, that a budget examiner, who can look into the estimates of roads will possibly not be able to scrutinise intelligently the estimates for the setting up of a machine tools factory unless he knows something about machine tools.

It will also have to be remembered that in the American system the budget grant does not always lapse at the end of the financial year. The Americans have so much money that some money can be carried forward to future years. In India, where we are living from hand to mouth, the keeping apart of crores of rupees for future years cannot simply be visualised.

So far as audit goes, here again we are following the British pattern. In America, there is no audit in the sense that we have it in Britain and India. On the other hand, the American Comptroller General can disallow any expenditure which he considers illegal, and "relief legislation" has to be passed to make the incurring of the expenditure in question possible. Here again, it is a question of choice between the Indo-British system and the American system. I personally think that the American system is better, but we have to have some system of public audit. Dr. Appleby's criticism of audit is really a criticism of the whole British system.

In the United States, as is well known, the best men do not go in for Government service as good money can be made far more easily in business. Dr. Appleby has, therefore, been led away by his American prejudice against Government servants in the matters of auditors. Suffice it

to say that some very eminent men have served in the Indian Audit Department. To name only two, Sir C. V. Raman, the Nobel Laureate in physics, and Chaudhuri Muhammad Ali, the former Prime Minister of Pakistan. It is impossible to believe that such men cannot do things intelligently. Although other members of the Indian Audit Department have not reached such eminence most of them are amongst the best students of their years, and can at least be presumed to have sufficient common sense and intelligence. Dr. Appleby speaks of his "close observation of various governments during many years". His observations in India did not exceed a few months and apparently they have been confined mainly to discussions with certain officials. As such it is difficult to take his *obiter dicta* in any reasoned work with any real degree of seriousness.

The most deplorable recommendation of Dr. Appleby is that the powers of Parliament be curbed. For, in effect, his proposals would lead to that. For instance, Dr. Appleby has said "the simplest way in which Parliament could reverse its influence on administration from a negative one to a positive one would be for it to stop looking for things to criticise and to begin looking for things to praise. What is needed here is a heightened recognition of the utter dependence of Parliament upon Administration for any actual achievement of its own purposes".¹

It is impossible to criticise the above *obiter* in any detail as it is merely a prejudice and not something on which there can be a debate based on reason. Many similar quotations can be made from Dr. Appleby's many prejudices. In the United States, his position is very high indeed though apparently by no means so high as many have made out in India. If the proposals of Dr. Appleby which have been published had been penned by any lesser man, one would have said that he had an eye for the press and for local fame

1. The Indian Journal of Public Administration, July-September, 1956, p. 284.

in setting down his proposals. In the case of Dr. Appleby that cannot be said, but his observations do illustrate a thesis held by many, though not by myself, that a great number of Americans can see things only in the perspective of the "American way of life". I myself think that the "American way of life" is by and large a better one than ours, with certain reservations; but this better way of life cannot be brought to India by the splashing in the Press of "selected prejudices" a la Mencken, the noted American journalist satirist of the nineteen twenties, who has today sunk into oblivion.

The proposals of Indian and British officials and statesmen are quite different from those of Dr. Appleby in the manner of presentation. There is also far less of speaking from a great height, and the proposals are so framed and so specific that one can debate them with possibilities of coming to conclusions by reasoning. A few of Mr. Gorwala's proposals have already been accepted. I do not deal with them here, therefore. Some of the proposals made by Mr. Ashok Chanda, the Comptroller and Auditor General are given below :

- (a) The budget should continue to be compiled on the present basis but should be considered as only the budget plan to give the Parliament a broad picture of the Government's scheme of expenditure. Demands for grants should be based on—
 - (i) standing charges, including maintenance;
 - (ii) expenditure on current projects; and
 - (iii) a small provision for each new project. Supplementary demands should be presented as and when schemes mature sufficiently and are ready for execution.
- (b) Financial scrutiny should be in two parts :
 - (i) Broad and overall scrutiny located in the Finance Ministry; and

unity and the brotherhood of technical men all over India are greater safeguards for the political unity of India than All-India Services like the police and for general administration. In British days, the reverse was true, as most of the police and general administrative officers were British. The common binding force was not that they belonged to All-India Services, but that they were British. There is a great fallacy in the argument that as a Negro is able to swim and that a Mongolian is able to swim, therefore, a Negro is a Mongolian. It is this fallacy which is behind the illusion that since the British police officer and the British general purposes man constituted the steel-frame of British India, policemen and general purposes men would provide the same framework and that caste, kin and linguistic groupings would mean nothing to such Indians.

A change in the climate from British days is visible in the liking of Indian officers for desk jobs in the Secretariat when the more important jobs are in the field and the factory. The British, on the other hand, liked field jobs. Gradually, many Secretariat posts have been created and emoluments have been weighed in favour of Secretariat posts, leading to more and more increase of red tape.

The third proposal of Mr. Chanda referred to above is obviously necessary if a scientific evaluation of our project activities are to be carried out successfully.

The fact that so many people have been saying whatever they like about the Indian administrative system and that Governments themselves have apparently been eager for administrative reforms would point to the necessity of having a High Powered review of the whole system. The High Powered Committee will obviously have to consist mainly of independent minded and impartial statesmen who are prepared to do a lot of hard and original thinking.

CHAPTER XXVII

PERSONNEL PROBLEMS

THE getting of men for Key Stations, if this idea is accepted, and for projects, would not really present insurmountable difficulties. If the number of posts of different categories required year by year are calculated, then facilities may be made available in different universities and other institutes, and there should be no difficulty in "marrying off" job opportunities with the out-turn of skilled personnel.

In the lower posts, organisation will have to be vertical, that is to say, departmental, or servicewise. For instance, an electrical engineer will do an electrical engineer's job and a general purposes man, district administration. But there are other posts, and there will, as development expands, be many more, which do not pertain or will not pertain to any particular department or service. For instance, the post of a General Manager of a factory. There is no reason why a senior electrical engineer who has dealt with large numbers of men should not be a better man for the post than a jaded general purposes man who has taken it easy for decades. For posts outside specifically technical ones, or district posts, the idea of Pools of officers is better than the idea of Services. In other words, at higher levels

there should be greater flexibility in transfers between various departments, as far as possible, so that no one takes it easy and everyone is on his edge. From my own observations it appears to me that many men from various Services really take it easy and obtain all the credit for work done by their subordinates. It is because we have a musical-chair system, that a senior man who is lazy does not suffer. His posting is determined by his Service and his seniority and his efficiency is not a prime factor. This casts no reflection on those making appointments. It is well known to all people in Government that there are many senior officers belonging to various Services who are given posts because there is no way out except to give them posts. These men have generally nothing against them and do their work in a humdrum fashion, but not in such a manner as to call for adverse remarks. As a matter of fact the zealot is more likely to tread on peoples' toes and get into trouble. There are dangers, undoubtedly, in lessening the bonds of seniority and Service rights. On the other hand, such rights should not be elevated to the position of precepts in Holy Writ. A via media would seem to be to make 25 or even 20 years of service the period after which a man can either voluntarily retire on a suitable pension or can be compulsorily retired. In the Indian context, such an innovation might not always lead to the best results. One need not hide the fact that caste, family considerations, etc. play a greater part in India than in the advanced countries of the West. Promotions and appointments might be influenced by such considerations, although not ostensibly so, and if people can be retired at an early age, those in the way, even if they are good, might be pushed out to make room for favourites. Hence, the basic problem is the integrity and zeal for public welfare of the political leaders who constitute the Government. If the assumption is that they are likely to be unfair—and any Service fears would be based on such assumption—then nothing indeed can be done. Each country gets the kind of Government it deserves. My reading of the situation is that

it is better to take the risk of loss of Service and seniority rights rather than have mediocre men for superior posts. Those who are against the proposed innovation might argue that the proposed reform might lead to the weeding out of all efficient men and the retention of mediocre men, a result the opposite of that which is intended! One need not be so cynical. It seems better that an innovation be tried for some time before pronouncing adverse judgment against it. If mediocre men are eliminated thereby, the country would have gained much, as then morale would go up tremendously. If, on the other hand, some good men are given the boot, this would not, by and large, affect the country's development programme, for it is unreasonable to assume that all good men would be in disfavour.

CHAPTER XXVIII

REORIENTATION OF OUTLOOK IN THE SERVICES

IN India the concept of caste has been very strong for thousands of years. Within each caste there are sub-castes, and at one time inter-dining between different castes and sub-castes and even the touching of water of "inferior castes" were taboo. The British themselves are a conservatively inclined people. But, there has always been a great number of non-conformist, pioneering and direct-minded people among them whose activities made Britain at one time the first nation in the world. Those who came out to India were not the best men of Britain and they succumbed to Indian ideas of caste. The Brahmins had evolved certain subtle ideas about caste. The British, however, could not do so. The main idea behind British casteism has been well expressed by Kipling in the concept of the "White Man's Burden". So much so, that in a recent book of memoirs by a retired British Indian Army Official, there is constant reference to British members of the I.C.S. as a separate species from Indian members. Before Independence, the prestige and status of a white I.C.S. man was quite different from those of yellow, brown and black I.C.S. men. Casteism in the Services, therefore, owes its origin to old Indian ideas of caste. The British merely gave it a racial twist. In

Britain, as in other countries, hierarchical arrangements have been necessary in administration but they have not led to caste, each caste with its separate dining arrangements, social facilities and so on. Characteristically, with the departure of the British, caste ideas in regard to the Services are being refined and made more subtle. The old Brahman concept of dwija or second born has been revived. After a person passes an examination and enters a Service, he undergoes a period of training in schools and in Service posts. After this period of training, he is confirmed, and thus becomes a dwija. He has a new birth. A senior official once described to me enthusiastically that an I.C.S. or an I.A.S. man at the beginning is not very much better, if at all, than any other man, "even an Upper Division Clerk". After a year in the district, however, he becomes a completely new man and is then fit to assume any post with very little training. He enters the ranks of the Twice Born. As he said this, this gentleman's eyes shone with mystic fervour. To any one outside the Indian Government Service complex, the whole concept would appear ridiculous. For what in effect this dignitary was saying was that a 24-year lad, who had had a year in a district, would be a better Secretary in the Public Works Department than a Chief Engineer who knows his job thoroughly and has managed many projects. Such a conclusion can only be reached through a process of mysticism and not of reasoning. And the idea behind Service superiority is essentially mystic. One Service is superior to another service, for mystical reasons. Within a Service a man recruited "direct" is superior to those who have been recruited by promotion, also for mystic reasons.

The question arises whether such irrationalities can be afforded in a democratic Welfare State. It is all right in a purely Law and Order State where what the different Services do is a matter which concerns only a limited number of people. In a Development State, it is true that Government servants are important only as long as they hold

official posts. Nevertheless, if the main spring of their activities is mysticism, then the whole Government machinery is less effective than it should be.

It seems necessary, therefore, to replace mysticism in the Services by rationalism. In this matter one may follow the Americans in their practice of every man beginning at the bottom so that he knows his job thoroughly instead of specialising only in obtaining credit for the work done by his subordinates, which is the main capability of many Indian Service men. Secondly, while in a country ruled by foreigners it is necessary that the foreign rulers should form a governing corporation of general purposes men, there is no reason why the same pattern should be followed in an independent country. The general purposes men in Indian administration no longer form a governing corporation. The task of governing is now being done by political leaders, and the responsibilities of general purposes men are to that extent diminished. In any case, if an underdeveloped country is to grow, the classification of Services therein, in order of importance, should, it is submitted, be something as follows :

- (i) scientific research men, especially in industrial laboratories of the type referred to in Chapter XVII;
- (ii) other educationists ;
- (iii) factory managers and others responsible for increase in production, both in the fields of industry and agriculture;
- (iv) desk-men and routine-job men like police, magistrates, accountants, etc. (Secretariat and the Services).

If this is accepted, then pay scales should also be rearranged accordingly. In the U.S.S.R., the position is more or less as suggested above. Of course, the highest emoluments are obtained there by those who get what might be

termed in other countries royalties, like actors and actresses, singers, and others who are public favourites. That will always have to be the position in any country with regard to public favourites. Leaving them aside, for the rest, the following principles would seem to be in conformity with reason :

- (a) refixation of pay scales of services according to the real importance to society of the work done;
- (b) beginning from the bottom.

It might be argued by those who are stalwarts of austerity that money is a trifling matter and that there is no reason why the best men should not go in for research and factory jobs and leave better paid posts to men in the Services. The austerity idea is certainly a good one. But it stands to reason that if there are degrees of austerity, those doing more important work for society should have more amenities than those doing less important work, unless austerity for austerity's sake is made the ideal of Indian Society. If this is done, then there can be no question of raising the standards of life of the people at large. On the other hand, if austerity is accepted as the national ideal, every effort should be made to lower the standards of life. One has to be clear on the subject as otherwise men in comfortable position will say one thing or its opposite as it suits their purpose. The Indian Constitution breathes a materialistic - democratic - humanistic air and the propositions in this chapter have been made accordingly.

CHAPTER XXIX

PLANNING AND RESEARCH

MENTION has already been made of the necessity of specialized industrial research in Chapter XVII. Laboratories like the National Physical Laboratory have been built in this country since Independence. They are magnificent achievements. But it is possible that the specific needs of different industries might not be served in a systematic manner by them. For this purpose special laboratories as suggested in Chapter XVII would seem to be necessary. These laboratories would do research both for the public as well as the private sector in this country. In the case of the private sector, the results of Governmental research will have to be made freely available to all. For this purpose, research will have to be purposive. If our scientists are set specific problems which are of importance to industry, and other specific problems, then India might be on the road to becoming a great scientific country. Otherwise, it is but natural that research would tend to be purposeless so far as industry goes. It seems that only by having specialised laboratories for different categories of industry and giving research workers specific problems can results be achieved. Guidance at high quarters without special research institutes might not yield results.

India is still a mystic country, as Chapter XXVIII will indicate. If men in the "Superior Services" are mystical, then naturally others would be still more so. Mysticism is a perfectly valid way of life if along with it goes austerity and a conformity of practice and preaching. Mysticism, however, seems to be incompatible with a high standard of living and a craving for further worldly goods. Some people are obviously hypocritical and nothing can be done about them. But most people are essentially good people, and it is possible to remove mental cobwebs in their case. The best way of doing this for society as a whole would seem to be to undertake research on the sociological side and especially in the matter of history. Studies in comparative history and comparative sociology should do much to bring about liberation from ignorance. Such comparative studies would be of great help in changing, from time to time, the motivation-pattern of the young (and also of adults), a change which we have seen in Chapter III to be essential for the growth of Indian society, if it is to take its place one day with those of the advanced countries of the West.

PART IV

CONCLUSIONS

CHAPTER XXX

CONCLUSIONS

EACH society has a definite motivation-pattern, using the term "motivation" in a very general way. It is not necessary that a society should have the same motivation-pattern right through the centuries. The motivation-pattern of West Europe in the days of Mediaeval Christendom was different from the motivation-pattern of today. The conscious aspirations of India in the matter of her motivation-pattern for the future is perhaps very much in a flux. One may take the Indian Constitution as reflecting her conscious aspirations. There is no mention of the Deity in the Constitution. It is, therefore, secular. The Directive Principles of State Policy (Articles 36-51 of the Constitution) breathe an air of materialism and humanism. Right through the Constitution, the desire of having democracy in all matters is very much in evidence. Hence, taking the Constitution as our guide, one may say that India aspires to a materialistic-cum-humanistic-cum-democratic-cum - ration-

Legacy of the past, however, is different. Although people have been materialistic, and sometimes grossly so, ascetic, austerity has been the ideal. The aim was to reduce the standards of life to the barest minimum possible to raise the standards of life. Although there

have been great humanists like Chaitanya and Kabir, among others, the day-to-day life of society was regulated on the basis of caste. Caste influenced Muslims also, as it later did the British in India. Democracy was not the ideal. The king was either the representative of God or an incarnation of God or the shadow of God. The principle Hitler called the "fuehrer-prinzip", was applied. Each man was responsible to his superior and his subordinates were totally under his control. Society, by and large, was also non-intellectual. Dogma and authority was more important than consideration of cases on their merits. History and chronology were of no account, so much so that Oswald Spengler has cited the Indian as the perfect example of the "ahistoric soul".

The potential leaders and teachers are those benefitted by our long contacts with the West.

scattered all over India and the problem is to organise them so that they act as catalytic agents in changing the mind and face of India. The only way in which this is possible would seem to be to organise them in Key Stations as suggested earlier in this book. The training of personnel in Universities and other institutions can then be geared to the needs of these Multi-purpose Key Stations. There would be no fear then of educated unemployment. Conditions for the participation of city-bred men and women in the villages would then be possible, and urbanism would spread to the countryside. Extension work from the Multi-purpose Key Stations would enable a rich harvest to be reaped in about a generation.

Meanwhile, the State can lay the foundations of defence and basic industries and solve the problem of the marketable agricultural surplus. No large improvement, if any, in the standards of life need be expected within this generation. But, at the same time, it should be seen that the standards of life of different classes do not decline. To achieve these ends, namely, laying the foundation of an advanced economy, securing adequate defence and preventing lowering of standards, the best method of planning would be the "balances" method discussed in Chapter XI. If all this is done, then during the second generation of independence, that is to say, from about 1970 to the close of the century, India should be able to forge ahead substantially in industry so as to be on a par with the leading nations of the world and there should be definite improvements in the standards of all people.

the prerequisite to all action is knowledge. The begin-to-work-at-once-type which has no use for age is not likely to help in changing the motivation without which progress in India can only be of a .. nature.

In pattern of evolving India the private sector will remain, so far as it can be seen. India is a vast and the organisation of the peasants and cottage

industries in a rigid manner can simply not be visualised. Control from the Key Stations, however, should be possible. So long as the private sector exists everything should be done to foster its growth, including the free imparting of knowledge of inventions and discoveries arising in specialised Government industrial laboratories. The importance given to maintenance Services like police, general purposes, accounts, etc. is not in conformity with the needs of a development State and reorientation along the lines suggested in Chapter XXVIII might be considered. Among civilians, research men, especially those dealing with industry and comparative history and sociology should rank highest in society; then might come other educationists; then, factory managers and others who increase industrial and agricultural production; and finally desk and routine job men (Secretariat and members of Services dealing with matters like police, general administration, accounts, etc.). This will ensure that the best men go to fields which enable society to advance.

Without right thinking energy and drive become dissipated. Will alone, without right thinking, cannot achieve much, as it can but function within the possibilities that are framed by right thinking and intellect. No one can do anything he or she likes. One has to have certain objectives before him or her and certain alternative lines of action will follow. Either one of the alternatives is chosen or there is disappointment and failure. But everyone's Destiny is very much in his or her own hands, to do, within bounds, what he or she likes. Will we mould our ~~Daniel~~ in accordance with the objectives laid down in the ~~Proposition~~? This can be done only if there is right thinking followed by proper action, in which intellect and will must be applied to the utmost extent possible to achieve the desired goals, the product of the suffering and the original thinking of the great men and women who have gone before us, and many of whom are now no more. Shall we be worthy successors? Time alone will show.

POST-SCRIPT—A NOTE ON THE SIZE OF FIVE-YEAR PLANS

SINCE this book was completed the question of the total volume of investment in the Five-Year Plan has become a lively, if not a popular, issue. The matter is very complex and technical and hence was not dealt with in the book. However, its sudden projection before the public eye has given it an importance which calls for some reflection.

The size of any Five-Year Plan can be fixed by two methods, one scholarly, and the other pragmatic. Each method has to be a check on the other. Pure scholarliness, of course, is not enough in dealing with practical matters. On the other hand, without recourse to scholars, national income and per capita income calculations cannot be made.

The late Professor Meghnad Saha, in pages 1-3 of his booklet "Rethinking our Future", written in 1952-53, has used the concepts of the statistician, Professor Kurihara, to work out a formula for finding per capita income at the end of a particular year. Three factors are

- 1. national income at the beginning of any period;
- 2. rate of new net capital investment, expressed as a fraction, 'x', of the national income;

- (iii) the income coefficient of the new investment, denoted by 'y';
- (iv) the rate of increase of population per annum, denoted by 'z'.

The per capita income at the end of any one year can then be taken to be—

National income expressed as $1+xy$ Population expressed as $1+z$ or $(1+xy) / (1+z)$

As z is small, this equation becomes $1+xy - z = i$
(per capita income)

Of the three factors, x has to be worked out; z is known for India, being .0125 or 1.25%; y is unknown; y is not measured only from the dividends of new investments, but from their indirect effects as well. It has apparently been calculated with any precision only in the U.S.A., where the figure is 0.3. In other countries it varies from 0.2 to 0.33. To be on the safe side, a figure of 0.2 may be taken for India. If the per capita income is to be doubled in 25 years, then, applying the Saha formula in a simple way,

$$1 + 25x \times 0.2 - 25 \times 0.0125 = 2$$

$$\text{or, } X = 0.2625.$$

Taking the national income roughly at Rs. 10,000 crores in 1956, this gives an annual net investment of Rs. 2,625 crores, or a Five-Year Plan net investment of Rs. 13,125 crores. If the y factor is taken at 0.3, the corresponding figures are Rs. 1,750 crores per annum or Rs. 8,750 crores over the Five-Year Period. These figures can be calculated more precisely. Instead of taking a simplified version of the formula, the per capita income at the end of t years can be calculated according to Prof. Saha, using the formula

$$(1+xy-z)^t,$$

assuming x , y and z to be constant over t years. This calculation suffices, however, to show the magnitude of the problem. Prof. Saha himself thought that the

Plan total should be Rs. 10,000 crores, if the national income is to be doubled in 10 years. (Op. cit. p. 11).

What does this come to if figures of different countries are compared? The per capita income figures of certain countries for the year 1949, from United Nations Sources, are given below:

Name of country	Per capita annual income in U.S.A. dollars
U.S.A.	1453
Canada	870
New Zealand	856
Switzerland	849
Great Britain	773
Norway	587
Belgium	582
France	482
Ireland	420
Israel	389
Czechoslovakia	371
Argentina	346
Russia	308
East Germany	300
Poland	300
Rumania	280
Hungary	169
Bulgaria	150
Lebanon	125
Egypt	100
Syria	100
Iraq	85
Ceylon	67
India	57
Pakistan	51
Saudi Arabia	40
Burma	36
Siam	36
China	27

According to Prof. Saha, after 10 years of net annual investment of Rs. 2,000 crores per annum, our per capita income would approach that of the Lebanon. According to my less mathematically rigorous calculations, a 25-year period would be required for the effort with about the same net investment per annum. With great effort the standards might reach that of Bulgaria to-day.

On the other hand, if Rs. 5,000 crores are invested in the Second Five-Year Plan, for argument's sake, then the per capita national income at the end of the period can be taken to be

$$1 + 0.5 \times 0.2 - 5 \times 0.0125 = i \\ \text{or } i = 1.0375.$$

Even if y is taken as 0.3, i becomes 1.0875. Hence, the per capita income will increase only 1.0875 times, or practically not at all.

According to the Second Five-Year Plan, however, (p. 74) $i = 1.18$. This implies a y factor of about 0.6 which seems to be very much on the high side.

According to Prof. Saha's calculations, therefore, Rs. 10,000 crores should be the total of the Five-Year Plans, to yield in 10 years, a per capita annual income of round about Rs. 500. According to the Second Five-Year Plan, which has been called by some very ambitious, the per capita annual income in 1960-61 will be only the same as that of Ceylon in 1949 (Rs. 331).

The problem is further complicated by the composition of 'x' (the total net annual investment). The foreign exchange component, the possibilities of inflation, all have to be taken into account in computing 'x'. This is where monetarism comes in. The only method of computing x which can be the "balances method" described earlier in the book.

The crucial factor is the 'y' factor, or the efficiency of the new investment. The better the technological process, the higher is y . Obviously, the best

would be a 100% educated and scientifically motivated people. This, together with good local government responsible to local leaders, would lead to a y factor which no amount of "enthusing" an illiterate and conservative people by officials can do. There is no reason why 100% education cannot be achieved in 25 years if the requisite efforts are made. Our local government arrangements are weak indeed. Paternalism, a heritage of ancient days, and civil servants who are supposed to do everything, take the place of local democracy and local assessments and taxes for local needs. It is in these directions that urgent changes seem to be called for.

As for her other problems, no one but the incurable pessimist will see the black cloud only and not the silver lining. A democracy requires, however, that all educated people should think out problems themselves and not leave them to a handful of people at the capital. That there is among ordinary educated people very little realistic and objective thinking on our economic problems, and a tendency to treat them as esoteric, is the darkest aspect of the picture, and the only aspect which might really cause apprehension and fear.

In conclusion, it might be stated that the economic power of a nation is not proportional to its per capita income. The table given above will show that Russia's per capita income is not high. Nevertheless, she is, by all consent, the second economic power in the world. Hence, altho' the outlook for India gives no cause for joy and ~~despair~~, neither should it give rise to panic and dejection. ~~As~~ a famous saying, her position is difficult, but not